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Effects of Leadership and Psychological Climate on Organizational Commitment in the Digitization Era

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Abstract

The improvement of the performance of savings and loan cooperatives in Indonesia is a challenge in the digital era. The purpose of this research is to find how big the role of psychological climate is in mediating the relationship between leadership and organizational commitment. This study hopes to confirm the influence of leadership and psychological climate on organizational commitment and examines the psychological climate intervention (mediation) on the relationship between leadership and organizational commitment of the cooperatives. The population of this research is all members of the cooperative in Bali. This study uses a saturated sampling method to determine the sample. Data collection was carried out through questionnaires and data analysis using PLS. The results showed that in the digital era, leadership has a positive effect on organizational commitment, psychological climate, and in the end, will provide positive organizational commitment. Psychological Climate mediation answers the question that the impact of leadership and commitment will continue to exist and perform in an era of disruption. Culture is important in an organization; some areas such as Bali have a thick local culture. Perhaps future research should be improved on local culture and leadership transformation

Keywords: Leadership, Commitment Organizational, Psychological Climate, Cooperatives

JEL Classification Code: D8, L1, L2, L22

1. Introduction

Maintaining and increasing organizational commitment is one method to improve organizational performance for companies or cooperative (KSP), to stay competitive and survive competition pressure (Roy et al., 2020; Ireffin & Mechanic, 2014; Riyanto et al., 2017). Companies in various industries continue to innovate and

commit to survive the pressures of competition including financial institutions, both banks and non-bank financial institutions (Paais & Pattiruhu, 2020; Le et al., 2020). KSP is one of the non-bank financial institutions, which faces obstacles in improving its performance (Kumaraswamy et al., 2019). The Cooperative (KSP) in Bali in general is still faced with organizational performance issues, as measured by their level of health in the economy. KSP still faces a large amount of Non-Performing Loans (NPL), limited market coverage with limited use of information systems and technology, cooperative members have not optimally utilized KSP services, as well as obstacles from various managerial aspects. All of these problems indicate that KSP is still not effective and efficient in its operational activities. Thus, the KSP must immediately improve its performance so that they become more competitive amid more open competition like this era of disruption (Sapta et al., 2020). Leaders who are able to innovate in an era of disruption transform into successful disruptive digital leaders and such leaders are able to transform the organization (Kumbure et al., 2020; Khan et al., 2020)

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Organizational commitment requires initiative. Cilek (2019) contends that authority, particularly in the aspects of encouragement, support, autonomy, and transformational style will in general empower higher organizational commitment. A few researchers clarify that leadership is unequivocally identified with organizational commitment. (Jiang et al., 2017; Apoi & Latip, 2019; Martono et al., 2020). Al-Hussami et al. (2018), highlighted the influence of leadership behavior, organizational commitment, organizational support, and subjective career success on the organizational readiness for change in healthcare organizations. Organizational readiness for change could occur in situations where nurses can exert extra efforts at work because of leaders' behaviors and the relationship between nurses and the institution. Employee turnover will be reduced by the leadership pattern. Employee's perception of leadership affects employees' turnover intention (Jang & Kandampully, 2018).

In line with research by Kim and Beehr (2020), Keskes et al. (2018), and Eliyana and Ma'arif (2019), leader empowering behavior is an important criterion for leadership effectiveness. Leader empowering behavior, in the era of disruption, was positively correlated with, leadership effectiveness empowering leader behaviors. Malik et al. (2017) stated that leadership does not make the organization committed, rather, individual considerations also affect. The transformational leadership style does not always bring organizational commitment and is unable to reduce employee turnover; this was revealed by several researchers (Harwiki, 2016; Afsar et al., 2020; Abouraia & Othman, 2017).

However, Qing et al., (2019) argued that leadership style is not directly related to organizational commitment but through mediation. Furthermore, it is said that the level of commitment is not only influenced by a leader, but also by the contribution of each member of the organization. The results of previous research on the impact of leadership style on organizational commitment (Qing et al., 2019; Hoa et al., 2020) suggested that the role of mediating variables to mediate a relationship is an interesting research problem. In this case, the researchers propose psychological climate as the mediating variable. The psychological climate is defined as individual employees' perceptions of their work environment (Li et al., 2019), possibly contributing to the organizational commitment that helps organizations achieve their best performance (Khan et al., 2019; Angriani et al., 2017). The psychological climate helps leaders create a conducive atmosphere in the work environment. Psychological climate investigation as a mediating variable is closely related to previous research which was limited to the role of psychological climate in mediating the impact of leadership on organizational commitment.

This research develops leadership indicators (Bass & Avolio, 1994), namely inspirational and motivational, by adopting Balinese local wisdom by Panca Satya. Panca Satya is five loyalties as elements of truth that can provide a balance of life. Panca Satya's local wisdom is five things that motivate leaders based on honesty and truth (Sapta et al., 2020). This development is interesting because not many previous studies have tried to adopt local wisdom as a measure of construction (Supriyanto et al., 2020). Also, by including Panca Satya (five loyal/honest behaviors) as an indicator of leadership, there is the possibility of increasing the ability of leaders in creating a conducive work climate thereby increasing employee commitment. This study attempts to explain the influence of leadership on organizational commitment and the psychological climate and to verify the role of the psychological climate in mediating the relationship between leadership and organizational commitment.

2. Literature Review

2.1. Leadership

Leadership has been widely investigated (Qing et al., 2019; Jiang et al., 2017; Apoi & Latip, 2019; Cilek, 2019). Ruslan et al. (2020) and Lee and Hidayat (2018), generally state that leadership is the ability to influence subordinates to cooperate and work productively to achieve goals. Furthermore, Van Assen (2020) stated there are four important implications in the definition of leadership including leadership is a process, which means that in achieving goals a gradual and continuous activity is carried out, leadership is about the interaction between people, and leadership is about achieving success. Cilek (2019) argued that leadership, especially in the aspects of encouragement, autonomy, and transformational style tends to encourage higher organizational commitment. Leadership has a relatively complex and fundamental dimension, which among others will proceed to influence organizational commitment, including all internal aspects such as the value of honesty and integrity for all stakeholders in the organization (Cho et al., 2020; Shinkevich et al., 2019).

In the leadership literature, several researchers have developed, adopted, and modified the results of previous studies. From a variety of measurements introduced by previous researchers, this study adopted leadership measurements that have been developed by Bass and Avolio (1994), that is, leaders displaying behavior associated with five transformational styles: (1) ideal behavior, (2) motivational inspiration, (3) intellectual stimulants, (4) individual considerations, (5) ideal attributes. However, this study measures inspiration by adopting the concept of inspiring Balinese cultural motivation, known as Panca

Satya (Sapta et al., 2020). The concept of five Satya-based leadership is similar to the theory of spiritual leadership (Elsbach & Pieper, 2019) which shows the ability of leaders to motivate themselves and others so that they become more committed to the organization.

Good leaders that magnify and amplify employees do not only increase their job performance and commitment within an organization but also go beyond the job requirements, thus increasing the organization's general performance and making it more profitable. Leadership strategy is about empowering others to do their best and take on new challenges. Great leaders empower their employees to grow by giving them challenging opportunities and guiding them as needed to create great accomplishments (Jurkiewicz et al., 2019). A great leader is one who makes those around them better. If team members have become disengaged or stagnant in their work, it may be time to reassess and reform the strategies to create positive results (Fry & Slocum Jr, 2008).

Malik et al. (2017) investigated the relationship between employees' organizational commitment dimensions and leadership styles in Lithuanian manufacturing companies. The findings of the study revealed a positive correlation between a transformational leadership style and affective and normative employee commitments. A laissez-faire leadership style was found to be negatively associated with employees' affective commitment. In connection with expanding the theory of transformational leadership and adopting the theory of Spiritual leadership, Fry and Slocum Jr (2008) developed Panca Satya (five loyal/honest behaviors) based leadership indicators as one of the local wisdoms of the Balinese people. Panca Satya (five loyal/honest behaviors) places more emphasis on the ethics of the leader in managing his organization. Panca Satya (five loyal/honest behaviors) is the ethics of a person/leader in each of his/her actions, preferably loyalty or truth that is reflected friends or followers even though someone has got a good position and never forgets his friends/followers

2.2. Psychological Climate

The psychological climate is an individual perception of the organizational context, as such, is a subjective measure that can differ between individuals as they perceive the organizational context differently (Li et al., 2019). Khan et al. (2019) and Kasayanond et al. (2019) depicted the work environment in the organization can make employees love their work wholeheartedly or it can create psychological hindrances in their work. The psychological climate is defined as the individual employee's perception of the psychological impact of the work environment on his or her well-being. When employees in a particular work unit agree on their perceptions of the impact of their work environment, their shared perceptions can be aggregated to describe

their organizational climate (Hoa et al., 2020). Employees' collective appraisal of the psychological climate takes into account many dimensions of the situation as well as the psychological impact of the environment. For example, job-specific characteristics such as role clarity, workload, and other aspects unique to an individual's specific job have a psychological impact that can be agreed upon by employees of the organization. Workgroup or team cooperation and effectiveness, as well as leadership and organizational support, are other dimensions of shared experience that factor into psychological climate (Faradiba & Zet, 2020).

The psychological climate was estimated utilizing the psychological climate measure revealed by Brown and Leigh (1996). This scale involves six indicators of psychological climate specifically, supportive management, role clarity, contribution to, recognition, self-expression (freedom of expression), and challenge in the job, and included 21 things. Their study investigated the process by which employee perceptions of the organizational environment are related to job involvement, effort, and performance (Jones & James, 1979; Joonlaoun, 2017). The researchers developed an operational definition of psychological climate that was based on how employees perceive aspects of the organizational environment and interpret them concerning their well-being. They theorized that when employees perceive the organizational environment positively, they will be more involved in their jobs and will exert more effort, which leads to higher job performance. In contrast, when employees perceive the organizational environment negatively, they will be less involved and exert less effort, resulting in decreased job performance (Muafi et al., 2020).

2.3. Organizational Commitment

Organizational commitment is defined as "a psychological state that (a) characterizes the employees relationship with the organization, and (b) has implications for the decision to continue or discontinue membership in the organization (Woznyj et al., 2019); (Suharto et al., 2020). Wang and Zhang (2020) state that aspects of commitment are divided into three forms, namely: (1) Affective commitment, an emotional attachment of an employee to organizational values – how much an employee likes the organization. It influences personal characteristics, structural characteristics, and work experiences. Organizational affective commitment is highly significantly related to satisfaction among employees (2) Continuance Commitment, relates to how much employees feel the need to stay at their organization. In employees that are continuance committed, the underlying reason for their commitment lies in their need to stay with the organization. Possible reasons for needing to stay with organizations vary, but the main reasons relate to a lack of work alternatives and remuneration, (3) Normative commitment relates to how

much employees feel they should stay at their organization. Employees that are normatively committed generally feel that they should stay at their organizations. Normatively committed employees to feel that leaving their organization would have disastrous consequences, and feel a sense of guilt about the possibility of leaving.

According to Qing et al. (2019), based on the opinions of the experts regarding the definition of organizational commitment, it comprises three components: (1) having absolute belief in the values and objectives of the organization, (2) making all efforts needed for the benefit of the organization and (3) having a strong desire to continue with that organization. Roy et al. (2020) suggested applying components of organizational commitment to developing a healthy organizational culture to achieve organizational performance. Muhammad and Abdullah (2016) stated that individual abilities such as commitment and motivation contribute positively to organizational performance. Likewise, Irefin and Mechanic (2014) found a positive and significant relationship between organizational commitment and organizational performance. Thus, it can be stated that organizational commitment is a driver to improve organizational performance. To quantify the three elements of organizational commitment, 15 inquiry items were embraced taken from Mowday et al. (1979), known as Organizational Commitment Questionnaires (OCQ).

2.4. Research Hypothesis

Organizational commitment is an important factor in improving organizational performance. To encourage organizational commitment, researchers support, modify, and actualize the leadership styles that can influence an increase in the commitment of all individuals in the cooperatives (KSP). Leadership is legitimately identified with organizational commitment which will at last influence execution. Research by Broccardo et al. (2019), Cho et al. (2019), and Shinkevich et al. (2019) showed that there is a positive relationship between leadership styles and organizational commitment. Indeed, even Cilek (2019) contended contends that leadership, particularly in the aspects of encouragement, support, autonomy, and transformational style will in general empower higher organizational commitment. In light of these outcomes the following hypothesis is proposed:

H1: *Leadership has a significant positive effect on organizational commitment.*

The psychological climate will be good if the leader supports and facilitates the interests of the organization with the interests of employees. Creating a positive psychological climate for employees can serve as a strong buffer against negative outside forces. This is so necessary for today's environment that can sometimes seem cold and simply

focused on the bottom line. It also results in increased loyalty to the leader which in return promotes retention (Muñoz, 2019). Relations between leadership styles, psychosocial work environment, and a number of positive and negative employee outcomes have been established in research (Abbatt & Wang, 2020). It is of significance to examine the impacts of leadership styles on an organization's psychological climate. Good management is essential for a good working environment. A leader who lacks good leadership skills can make the workplace unbearable (Gangai & Agrawal, 2019). Ethical leadership is a unique style of leadership in which a leader personally feels rewarding as well as the followers' gratification. It creates a dynamic environment in which people cooperate, motivate, and innovate, and brings material rewards for themselves as well as for the organizational performance (Nauman & Qamar, 2018). In light of this examination, the next hypothesis is proposed

H2: *Leadership has a significant positive effect on the psychological climate.*

The psychological climate is very dependent on the role of leaders in creating a conducive atmosphere and facilitating the interests of the organization and the interests of employees to increase their commitment. Khan et al. (2019) suggested that one factor that had an impact on commitment was the psychological climate. The psychological climate refers to how the organizational environment is perceived and interpreted by employees (König et al., 2020). Propose that individuals assess values related to their work cognitively (Kumbure et al., 2020). Assessment is a reflection of the extent to which organizational characteristics are important to the individual and his personal and organizational well-being (James et al., 1990). Employees' engagement in pro-environmental behaviors is crucial for greening hotels and improving organizational performance. Employees' pro-environmental behavior motivations can be explored from a positive externality/spillover perspective because such voluntary behaviors benefit actors other than the employees, namely, the organizations that employ them and the surrounding natural environment. Accordingly, compensation and internalization could motivate employees' pro-environmental behaviors (Peng et al., 2020). Based on these research findings, the third hypothesis is proposed

H3: *The psychological climate has a significant positive effect on organizational commitment.*

Organizational commitment refers to employees' psychological attachment towards their organization. (Broccardo et al., 2019; Cho et al., 2019; Lee & Hidayat, 2018; Shinkevich et al., 2019; Adegbesan, 2013). Qing et al. (2019) found that the leadership style is identified with organizational commitment through mediation. Parker et al. (2003) in their study, meta-analytic procedures were used to examine the

relationships between individual-level (psychological) climate perceptions and work outcomes such as employee attitudes, psychological well-being, motivation, and performance. Their meta-analytic findings indicated that psychological climate, operationalized as individuals' perceptions of their work environment, does have significant relationships with individuals' work attitudes, motivation, and performance. There exists a significant relationship between transformational leadership and employee performance outcomes (Keskes et al., 2018). However, the laissez-faire leadership style showed a negative relationship with employee performance outcomes in terms of effectiveness and employee satisfaction. They further stated leadership positively affects the psychological climate, and the psychological climate affects organizational commitment positively (Jones & James, 1979). Lastly, the mediation test found that the psychological climate partially mediates the impact of leadership on organizational commitment. In view of these examinations, the fourth hypothesis is proposed

H4: The psychological climate mediates the influence of leadership with organizational commitment.

3. Methodology

Our research design uses the positivist approach (quantitative) that tests hypotheses with statistical techniques. This research focuses on KSP in Bali. The population of this study was all KSPs, numbering 108. We chose our sample based on the saturated sampling method, that is, all population units were sampled. Respondents are managers, and employees. Employees must understand or actively participate in KSP activities to become respondents. Thus, the number of respondents was 216 people.

Leadership variables refer to Bass and Avolio (1994) which are measured by five indicators, namely: ideal behavior, Panca Satya (five loyal/honest behaviors) inspiration motivations, intellectual stimulants, individual considerations, and ideal attributes. The psychological climate variable refers to Brown and Leigh (1996), which is estimated by indicators, in particular: supportive management, role clarity, contribution tow, recognition, self-expression (freedom of expression), and challenge in the job. In the meantime, the variable organizational commitment refers to Mowday et al. (1979), known as Organizational Commitment Questionnaires (OCQ), which are estimated by three-pointers: affective commitment, continuance commitment, and normative commitment. We gather information through surveys that have been tried for validity and reliability quality. Every variable comprises of a few inquiry things estimated on a five-point Likert scale, a type of psychometric response scale in which responders specify their level of agreement to a statement typically in

five points: (1) Strongly disagree; (2) Disagree; (3) Neither agree nor disagree; (4) Agree; (5) Strongly agree. The survey additionally gathered information on respondents' attributes, for example, sex, age, education, and work experience. Finally, we analyze the data with Partial Least Square (PLS) using the WarpPLS 6.0 application program.

4. Results and Discussion

As mentioned earlier, this study involved 216 respondents consisting of managers and employees who were directly involved in KSP operations. Descriptive data showed that the majority of KSPs are managed by women (57.30%) and those aged 29-35 years (54.20%), the age range considered to be very productive. Furthermore, those with diploma level education and with 6-10 years of work experience dominated our respondents (69%).

4.1. The Evaluation of the Measurement Model (Outer Model)

The assessment of the estimation model intends to guarantee the legitimacy of markers to speak to the factors. Specifically, the assessment of the estimation model examinations the accompanying perspectives: convergent validity, discriminant validity, and composite reliability. Table 1 and Table 2 show the results of the assessment of the external model.

Convergent validity refers to how closely the new scale is related to other variables and other measures of the same construct. While the construct must correlate with related variables, it should not correlate with dissimilar, unrelated ones. Therefore, the variance or convergence should be high for the indicators of a construct. The average variance extracted (AVE) is a measure of the amount of variance that is captured by a construct in relation to the amount of variance due to measurement error. To establish convergent validity, the outer/factor loadings of the indicator, composite reliability (CR), and the average variance extracted (AVE) have to be considered

Table 1 suggests that all indicators of each variable have the outer loading value above 0, 70, implying that all indicators are valid in measuring the latent variables (the convergent validity requirements are met). Discriminant Validity determines whether the variables in the model are highly correlated among them or not. It compares the square root of the AVE of a particular variable with the correlation between that variable with other constructs. The value of the square root of AVE should be higher than the correlation. The discriminant validity also indicates that all variables have AVE value above 0, 50, and the root value of AVE is greater than the correlation coefficient between variables (Table 2). The results imply the latent variables predict their indicators better than the indicators of other latent variables. We then interpret the result that the model exhibits good discriminant validity.

Table 1: The Evaluation of the Measurement Model

Latent Variable	Indicator	Outer Loading	AVE	$\sqrt{\text{AVE}}$	Composite Reliability	Cronbach's Alpha
Leadership (X1)	Ideal behavior (X1.1)	0.951	0.898	0.947	0.964	0.943
	Panca Satya motivational inspiration (X1.2)	0.965				
	Intellectual stimulants (X1.3)	0.893				
	Individual considerations (X1.4)	0.932				
	Ideal attributes (X1.5)	0.957				
Psychological Climate (Y1)	Supportive Management (Y1.1)	0.907	0.858	0.926	0.967	0.958
	Role Clarity (Y1.2)	0.929				
	Contribution (Y1.3)	0.953				
	Recognition (Y1.4)	0.908				
	Self-Expression (Y1.5)	0.949				
	Challenge (X1.6)	0.936				
Organizational Commitment (Y2)	Affective Commitment (Y2.1)	0.942	0.872	0.934	0.965	0.951
	Continuance Commitment (Y2.2)	0.943				
	Normative Commitment (Y2.3)	0.959				

Table 2: The Correlation Coefficient between Variable and the Root of AVE ($\sqrt{\text{AVE}}$)

	$\sqrt{\text{AVE}}$	Leadership	Psychological Climate	Organizational Commitment
Leadership	0.947	1.000		
Psychological Climate	0.926	0.841	1.000	
Organizational Commitment	0.934	0.786	0.842	1.000

Next, Table 1 also informs the construct reliability from the Composite Reliability score and Cronbach's Alpha score. Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. It is considered to be a measure of scale reliability. Composite reliability or construct reliability is a measure of internal consistency in scale items, similar to Cronbach's alpha. Both scores have values above 0.7 and meet the reliability requirement. Thus, the indicators that measure the latent variables are valid and reliable.

4.2. The Evaluation of the Structural Model or Inner Model

Evaluate the feasibility model to get a complete description of the feasibility model. The evaluation of the

structural model relies on the Q-Square Predictive Relevance (Q^2) that is measure by the coefficient of determinant value (R^2) of the dependent variables, namely the psychological Climate ($Ry1^2$) and Organizational Commitment ($Ry2^2$).

Another step of assessment in the structural model analysis is R^2 , it is also called the coefficient of determination (Hair et al., 2013). The coefficient of determination is the proportion of the variance in the dependent variable that is predictable from the independent variable(s) (analyze how differences in one variable can be explained by a difference in a second variable). The $Ry1^2$ has a value of 0.486 and $Ry2^2$ has a value of 0.505. This shows that 48.6% and 50.5% of the variance in the dependent variables are explained by the independent variables. Based on the values, we can calculate the following Q-Square Predictive Relevance (Q^2) score.

Table 3: Hypothesis Testing

The Relation between Variables	Path coefficients	Sample Mean	Std.Dev	t-Statistic	p-Values	Explanation
Leadership (X1)→Organizational Commitment (Y2)	0.233	0.222	0.102	2.280	0.001	Support
Leadership (X1)→ Psychological Climate (Y1)	0.541	0.534	0.188	2.874	0.002	Support
Psychological Climate (Y1) →Organizational Commitment (Y2)	0.422	0.433	0.159	2.652	0.004	Support
Test of the Role of Psychological Climate in mediating the effect:						
Leadership (X1)→Organizational Commitment (Y2)	0.559	0.167	0.120	3.827	0.005	Support

Table 4: The Calculation of Variance Accounted For (VAF)

Explanation	Result
Indirect Effect	
Leadership (X1)→ Psychological Climate (Y1) →Organizational Commitment (Y2) = 0,541 x 0,422	0.239
Direct Effect	
Leadership (X1)→Organizational Commitment (Y2)	0.233
Total Effect = 0,239 + 0,233	0.472
VAF = Indirect Effect/Total Effect = 0,239/0,472	0.506

In the structural model, a Q^2 value larger than zero for a certain variable indicates the PLS path model has predictive relevance for that variable. Based on the calculation results obtained $Q^2 = 0.746$, therefore we can say that predictive relevance is there. Also, it can be stated that 25.4% of the variation in the value of the dependent latent variable is explained by other factors not included in this study, so this research model is very adequate to be taken to the level of hypothesis testing.

4.3. Effect Size

Effect size is a statistical concept that measures the strength of the relationship between two variables on a numeric scale. The effect size (f^2) of the coefficient of determination (R^2) was vital since it regulates the strength of the change described by the independent variables. More detailed information about the variation in the dependent variable explained by a group of independent variables in a structural equation system is known as the Cohen Effect Size f . The effect size score can be classified into three categories, namely weak (0.02), moderate (0.15), and strong (0.35)

(Hair et al., 2013). Based on this category, we conclude that the effect size of each study variable is quite strong because the score of the effect size of leadership with organizational commitment is 0.427, the effect size of leadership on psychological climate is 0.473, and the psychological climate has an effect size score of 0.464. The data analysis using Warps 6.0 produces the results as displayed in the following Table 3, Figure 2, and Table 4.

The path coefficient tells the significance of hypothesized relations among the variables. The t-statistic is the ratio of the departure of the estimated value of a parameter from its hypothesized value to its standard error. The T-statistic is used in a T-test to determine if we should support or reject the null hypothesis. The p-value is the probability of obtaining results at least as extreme as the observed results of a statistical hypothesis test, assuming that the null hypothesis is correct. A smaller p-value means that there is stronger evidence in favor of the alternative hypothesis.

Table 3 shows that leadership has a positive impact on organizational commitment in KSP in Bali, Indonesia as demonstrated by the coefficient estimation of 0.233 and

p-value = 0.001. The results suggest that leadership strongly impacts organizational commitment. Hence hypothesis 1 (H1) is accepted. The results also show that leadership has a positive impact on the psychological climate (hypothesis 2) as demonstrated by the coefficient estimation of .541 and p-value = 0.002. Hence, hypothesis 2 (H2) is accepted. The results further show that the psychological climate has a positive impact on organizational commitment as demonstrated by the coefficient estimation of 0.422 and p-value 0.004. Hence, hypothesis 3 (H3) is accepted. Finally, the results show the impact of leadership on organizational commitment through psychological climate (mediating variable) as demonstrated by the coefficient estimation of 0.559, p-value < 0.05, and t-test = 3.827 greater than the t-table value of 1.96. Hence hypothesis 4 is accepted. Finally, it is important to find out the strength of mediation. The strength of mediation is computed via VAF, as suggested by Hair et al. (2013). The results of the VAF estimation, as shown in Table 4, reveal that the psychological climate somewhat mediates the effect of leadership on organizational commitment.

5. Discussion

5.1. Effect of Leadership on Organizational Commitment

From the results, we can see that the leadership variable is demonstrated to have a positive and significant impact on organizational commitment. This finding explains that leaders who behave in an ideal manner, are motivated in *panca satya*, (five loyal/honest behaviors: *wacana* = words, *hridaya* = conscience, *laksana* = actions, *mitra* = friends, *samaya* = promises) and mature considerations, then this behavior triggers and enhances organizational commitment to KSP in Bali. This finding is in accordance with Cilek (2019) who expressed that leadership, particularly in the aspects of encouragement, support, autonomy, and transformational style will in general empower higher organizational commitment. Muafi et al. (2020) demonstrated that the results of the meta-investigation found a moderate degree of leadership impact on organizational commitment. Broccardo et al. (2019), stated that a leader's ability to inspire and motivate employees is based on trust. Employees who trust their business leaders feel more committed to the company, feel the organization supports them more, and feel that leaders fairly allocate resources, treat others well, and follow procedures transparently.

5.2. Effects of Leadership on Psychological Climate

Hypothesis testing shows that leadership has a significant positive effect on the psychological climate. In other words,

effective leadership will create a conducive psychological climate in KSP in Bali. The results show that leadership significantly supports and creates a conducive psychological climate and increases organizational commitment of workers. This finding is in accordance with Pérez-Vallejo & Fernández-Muñoz (2020) who analyzed the relationships between the quality of leadership, achievement recognition, and teamwork with the psychological climate and quality of life at work. The results of this study suggested that teamwork exerts significantly the expected mediating effect in the relationship between the quality of leadership and the psychological climate. To sum up, leadership quality, teamwork, and recognition of achievements improve the perception of the organizational climate and quality of life at work. Therefore, the organization must establish leadership styles that allow it to achieve its objectives and improve the quality of life of workers. Kumbure et al. (2020) stated that the psychological climate has a mediating impact between leadership styles and organization commitment. The effect of leadership on organizational climate was examined in the meta-analysis study. The analysis results showed that leadership has a significant positive effect on psychological climate (Muñoz, 2019).

5.3. Effects of Psychological Climate on Organizational Commitment

Hypothesis testing shows that the psychological climate has a significant positive outcome on organizational commitment. This finding clarifies that the helpful psychological climate of KSP increases organizational commitment. This result shows that a helpful, agreeable, and psychological climate will increase workers' commitment to KSP in Bali, Indonesia. The results of this study are supported by Parker et al. (2003) who stated that a favorable psychological climate is one of the factors which affect employee behavior, and organizational climate and employee commitment are major factors to organizational success. The results of their study stated that organizational climate has a significant positive relationship with employees' organizational commitment. All climate dimensions used in this study have a significant positive relationship with organizational commitment. Similarly, James et al. (1990) stated psychological climate i.e., trust, autonomy, cohesion, pressure, support, recognition, fairness, and innovation have a significant effect on the explanation of variance of dimensions of organizational commitment.

5.4. The Role of Psychological Climate in mediating the effect of Leadership on Organizational Commitment

Hypothesis testing and VAF test (VAF estimation of 20 – 80) show psychological climate has a mediating effect on

the impact of leadership on organizational impact. Thus, this hypothesis results show that psychological climate mediates the impact of leadership on organizational commitment to KSP in Bali, Indonesia. The results indicated leadership, particularly in the aspects of encouragement, support, autonomy, and transformational style will empower higher organizational commitment in KSP in Bali, Indonesia, the psychological climate mediating the impact of leadership on organizational impact. This finding is in accordance with Angriani et al. (2017) and Parker et al. (2003), who stated that the psychological climate has a varied relationship with organizational commitment, including work fulfillment, workplace inclusion, worker inspiration, and worker execution. In light of the consequences of their exploration, it shows that the psychological climate has a positive mediating role in the relationship between leadership and organizational commitment.

6. Conclusion and Suggestion

Our outcomes show that leadership has a significant positive impact on organizational commitment and psychological climate. Along these lines, this finding clarifies that effective leadership will increase organizational commitment and create a supportive psychological climate for KSP in Bali. The psychological climate additionally has a significant positive impact on organizational commitment, demonstrating that a supportive psychological climate will increase employees' commitment to the organization. Representatives' impression of their work environment with the board support, there is acknowledgment and difficulties will make a favorable mental atmosphere that is valuable for improving execution through authoritative duty. This study additionally shows the role of psychological climate as a mediator impacts the influence of leadership on organizational commitment. This finding clarifies that the psychological climate assumes a significant job in expanding organizational commitment in KSP, Bali, Indonesia. Our research informs future research about leadership, the psychological climate, and organizational commitment, especially those related to Panca Satya-based leadership as a concept of Balinese local wisdom to measure leadership in general. In the future, leaders need to pay more attention to local culture to better explore organizational capabilities through the ability and involvement of all components in the company.

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