

Conceptualizing the Role of Organizational Performance in Indonesia

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Received: March 10, 2021 Revised: May 08, 2021 Accepted: May 15, 2021

Abstract

Increasing competition that is becoming more competitive in the non-profit industry, especially increasing organizational pressure to develop, such as lowering costs, making workers more optimal, and doing things better with cost efficiency. Organizational demands include searching and recruiting resources which are capable of directing, maintaining, and developing organizations in various target communities and current developments. This paper aims to evaluate and analyse the effect of transformational leadership on organizational performance mediated by organizational learning and organizational commitment. This research was conducted with the help of descriptive methods at A-certified Child Welfare Institutions (LKSA) in Indonesia. The total sample size used in this research consisted of 185 respondents. The approach used in this research is the Structural Equation Model (SEM) with Partial Least Square (PLS) 3.0 analysis tools. The results showed that Transformational Leadership which has a positive and significant effect on Organizational Performance, Organizational Learning and Organizational Commitment. Organizational Learning has a positive and significant effect on Organizational Performance, Organizational Commitment has no significant effect on Organizational Performance, Organizational Learning is able to mediate the effect of Transformational Leadership on Organizational Performance, and Organizational Commitment is unable to mediate Transformational Leadership on Organizational Performance.

Keywords: Transformational Leadership, Organizational Performance, Organizational Learning, Organizational Commitment

JEL Classification Code: I18, I38, J13, M14

1. Introduction

Consistency of organizational performance with how the process can be carried out, the organization cannot be separated from factors that can affect performance, including: technology, input quality, physical environment quality,

organizational culture, human resource management, which includes aspects of compensation, imbalance, promotion and others (Ruky, 2011). Psychological Ability or Ability Factors, and Motivation Factors (Mangkunegara, 2017; Ramli et al., 2020). Several factors are responsible for the below-par performance of non-profit organizations, one of which is the functioning of the LKSA (Nugrahati et al., 2019; Soelton et al., 2020).

Transformational practices that can contribute to organizational performance (Abas et al., 2013; Alrowwad et al., 2016; Andrew & Cazares, 2015; Aragón-Correa et al., 2007; Arif & Akram, 2018; Khan & Ismail, 2017; Ojokuku et al., 2013; Sani & Maharani, 2013; Thamrin & Francis, 2012; Wollah et al, 2020), and leadership transformation from a non-profit organization perspective (Birasnav, 2014; Harris & Ogbonna, 2011; Mutahar et al., 2015; Timothy et al., 2011) will pay attention to the importance of leadership in every organization, so that researchers provide another model for establishing a relationship between transformational leadership and organizational performance. Thus, this research will provide sufficient new opportunities

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to benefit organizational leadership to improve relationships by maximizing organizational profitability so that they adapt a leadership style that polishes their abilities and helps them reach their full potential.

Based on the background description above, it is necessary to have a problem in this study. According to (Alrowwad et al., 2016; Darmawan, 2019; Lieberson & Connor, 1972; Ojokuku et al., 2013; Soelton & Nuhagrati, 2018; Soelton et al., 2020; Timothy et al., 2011). Identification of the problem in this study is that the leadership of every child social welfare institution in Indonesia has been regulated by various policies and programs, which is in line with the Constitution drafted in 1945 which said that neglected and poor children are cared for by the state. Law of the Republic of Indonesia Number 4 of 1979 concerning Child Welfare concerning the development of children's rights, namely "children have the right to welfare, care, care and guidance based on affection both within the family and in special care to grow and develop naturally. And it is the responsibility of the parents, namely that "the parents are responsible for the welfare of the child. Based on the accredited LKSA number in more detail, the LKSA data that obtained Accreditation A was only 185 units out of a total of 2,735 LKSA units that had received an accreditation score. Apart from the results of accreditation, it was concluded that there were still many well accredited institutions. Research on the Quality of Childcare in Child Care Social Institutions conducted by "Save the Children" and the Ministry of Social Affairs (Kemensos) in 2006 and 2007 also identified that LKSA administrators are those who do not have sufficient knowledge about the situation of children who need to be cared for in LKSA, and care that should ideally be received by the child (Regulation of the Minister of Social Affairs of the Republic of Indonesia of 2011 concerning LKSA National Child Care Standards). There are several factors that trigger inadequate human resources, one of which is the stagnating functioning of the LKSA (Nugrahati et al., 2019; Mochamad Soelton et al., 2020). As far as organizational performance is concerned in relation to the processes that must be carried out to ensure optimal performance, it is concluded that the performance of an organization cannot be separated from the factors that can affect performance including:

1. Technology which includes equipment required to work and work methods used to produce products or services by an organization. The higher the quality of the technology used, the higher the level of performance of the organization will be.
2. The quality of the inputs or raw materials used by an organization.
3. The quality of the physical environment, which includes work safety, room management, and environmental cleanliness.
4. Organizational culture as a pattern of behavior and work patterns that exist within the organization concerned.

5. Leadership as an effort to control each member of the organization so that they can work in accordance with the standards and goals set by the organization.
6. Managing human resources including aspects of compensation, imbalance, promotion and others (Ruky, 2011).
7. Ability / psychological ability, and Motivation Factors (Mangkunegara, 2017; Mappamiring et al., 2020).

Based on several points of factors affecting the performance of the organization, improving performance in an organization or government agency is a goal or target to be achieved by government organizations and agencies in order to maximize an activity that has been set previously. However, an organization cannot survive without efforts to improve and keep itself updated with the new knowledge and skill sets in order to cope with the ever dynamic conditions in which an organization operates.

2. Literature Review

2.1. Transformational Leadership

Transformational leadership is a leadership style that is intrinsic, charismatic, and transforms the organization to achieve common goals. Bass (1999) and Avolio et al. (1999) stated that the characteristics of transformational leadership consists of idealized influences, motivational inspiration, intellectual stimulation and individual considerations. According to (Howell & Avolio, 1993), transactional and transformational leadership have different effects on subordinates. Transactional leadership motivates followers by capturing their self-interest as well as the benefits their work brings. Transactional (contingent reward) is based on the level of performance achieved by subordinates, in this condition superiors and subordinates reach an agreement to pay attention to compensation for the results achieved and do not encourage employees to produce better performance. Management by exception is the level of attention of the leader to guide the problem solving of new and better methods. This results in a lack of leader's attention to their subordinates which results in low satisfaction and commitment of subordinates to the leader.

2.2. Organizational Performance

According to (Pasolong, 2010), employee performance and organizational performance are closely related. Organizational goals cannot be separated from the resources owned by the organization which are managed by employees who play an active role as actors in achieving organizational goals. Organizational performance in reality is the responsibility of all the individuals who work for the organization. If individuals working in an

organization give their best and perform optimally then the overall performance of the organization will be enhanced. Thus, organizational performance is a reflection of individual performance. According to (Sinambela, 2012), organizational performance is the cumulative performance of employees, the higher the employee's performance, the higher will be the organizational performance. Meanwhile, according to Nasucha in (Sinambela, 2012), an organization is also defined as a comprehensive organization to meet the needs set by each group concerned through systemic efforts and continue to improve the organization's ability to achieve its needs effectively. Based on some of the opinions above, it can be argued that the nature of the organization is a description of the work of collaborative activities within the organization to achieve the stated organizational goals.

2.3. Organizational Learning

According to Pedler et al. (1989) and (Besterfield, 2003), a learning organization is an organization that meets the following criteria: a) has an atmosphere in which individual members are encouraged to learn and develop their potential; b) Extend this learning culture to customers, suppliers and other significant stakeholders; c) make human resource development strategies the center of business policy; d) is in a continuous process of organizational transformation. To make an organization sustainable, there are 5 dimensions that are needed to exist, because these dimensions allow organizations to learn, develop, and innovate. The five dimensions of learning organizations based on the book *The Fifth Discipline* (Senge, 2006) are as follows: a) Mental Model, b) Shared Vision, c) System Thinking, d) Personal Mastery, and e) Team Learning.

2.4. Organizational Commitment

According to Becker, commitment is achieved because individuals make a bet (side bets). Organizational members are committed because they have a side-batch of investments that they have deposited in a particular organization. It is important to measure the accumulated investment that an individual would lose if he or she leaves the organization. Becker claims that a person invests something in his organization or work (placing a side bet) by risking something of value. The bigger the side bet at stake, the greater will be the commitment of an employee to the organization or work. Becker explains that people have no other choice but to be willing to share some of the benefits they have reaped. In fact, this person does not necessarily have the same opportunity in other places. Commitment develops as a result of organizational member satisfaction with the rewards that must be sacrificed if he leaves the organization. This flow is supported by research that operationalizes Becker's theory (Alutto et al., 1973; Ritzer & Trice, 1969).

2.5. Hypothesis

Relationship Between Transformational Leadership and Organizational Performance

Transformational leadership theory is very helpful by (Bums, 1978), who compared transformational leadership with transactional leadership. Transformational leadership draws on the moral value of followers to raise their awareness of ethical issues and mobilize their energy and resources for reform. Therefore, the following hypotheses are established in this study:

H1: Transformational Leadership has a positive effect on Organizational Performance.

Relationship between Transformational Leadership and Organizational Learning

The quality of Transformational Leadership is one of the organizational factors, where Transformational Leadership is a combination of competencies and insights that invite members to step together to achieve goals (Akhtar et al., 2011; Islam et al., 2016; Alipour et al., 2011). If a leader can clearly explain the vision and mission of the organization, then subordinates will give higher positive reactions to various problems, such as job satisfaction, commitment, loyalty, motivation, and organizational productivity (Joo & Lim, 2009; Zgrzywa-Ziemak, 2015). Thus, the following hypotheses are established in this study:

H2: Transformational Leadership has a positive effect on Organizational Learning.

The Relationship between Organizational Learning and Organizational Performance

According to research conducted by (Santoso et al., 2019), it is stated that learning organizations have a positive and significant influence on Organizational Performance. Research conducted by (Hussein et al., 2014) states that there is a positive and significant influence between learning organizations and organizational performance. Thus, the following hypotheses are established in this study:

H3: Organizational Learning has a positive effect on Organizational Performance.

Relationship between Transformational Leadership and Organizational Commitment

The quality of Transformational Leadership is a factor of the organization, where Transformational Leadership is a combination of competencies and insights to invite members to step together to achieve goals (Hatta et al., 2018). If a leader can clearly explain the vision and mission of the organization, then subordinates will give higher positive reactions to various problems, such as job satisfaction, commitment, loyalty, motivation, and organizational

productivity (Hussein et al., 2014). Thus, the following hypotheses are established in this study:

H4: *Transformational Leadership has a positive effect on Organizational Commitment.*

Relationship between Organizational Commitment and Organizational Performance

According to research conducted by (Cameron & Quinn, 1999) that organizational commitment has a significant effect, and there is a positive and significant effect due to this factor. Organizational performance can be enhanced or optimized by Organizational Commitment and it can be achieved by implementing budgeting. Organizational culture factors and organizational commitment are conditional factors that must be considered to increase the organizational level of budgetary participation. These factors are important in the globalization era, which is full of environmental uncertainty. The level of conformity of factors influencing Organizational Performance is rejected. Thus, the following hypotheses are established in this study:

H5: *Organizational Commitment has a positive effect on Organizational Performance.*

The Role of Organizational Learning in Mediating the Influence of Transformational Leadership on Organizational Performance

(Pedler et al. 1989) defined a learning organization as an organization that facilitates gaining new knowledge by all the members of the organization. According to (Juran & Gryna, 1988) quality assurance is an activity to provide evidence to build confidence that quality can function effectively. Thus, the following hypotheses are established in this study:

H6: *Organizational Learning can mediate the Influence of Transformational Leadership on Organizational Performance.*

The Role of Organizational Commitment in Mediating the Influence of Transformational Leadership on Organizational Performance

In Wurnipin’s research (Nugrahati et al., 2019), the results showed that the test results with descriptive statistics resulted in the presentation of the SPSS output. That the influence of Organizational Commitment has a positive and significant effect on organizational performance is accepted. This shows that the organization that is owned by each employee makes a high contribution to organizational performance. The better is the organizational commitment, the better will be the results for the organization. Thus, the following hypotheses are established in this study (Figure 1):

H7: *Organizational Commitment can mediate the Influence of Transformational Leadership on Organizational Performance.*

3. Research Methods

3.1. Measurement Scales

The indicators that measure the applied variables are adjusted accordingly with the sample characteristics from previous studies. The variable “transformational leadership” using a scale according to (Bass, 1999; Yukl & Van Fleet, 1982) includes 4 observations. “Organizational Performance” using Mahsun (2006), John Miner (Sudamanto, 2009) consists of 6 observations. “Organizational learning” using (Senge, 2006) and (Calantone et al., 2002) includes 5 observations. Organizational commitment using (Allen & Meyer 1990) consists of 3 observations.

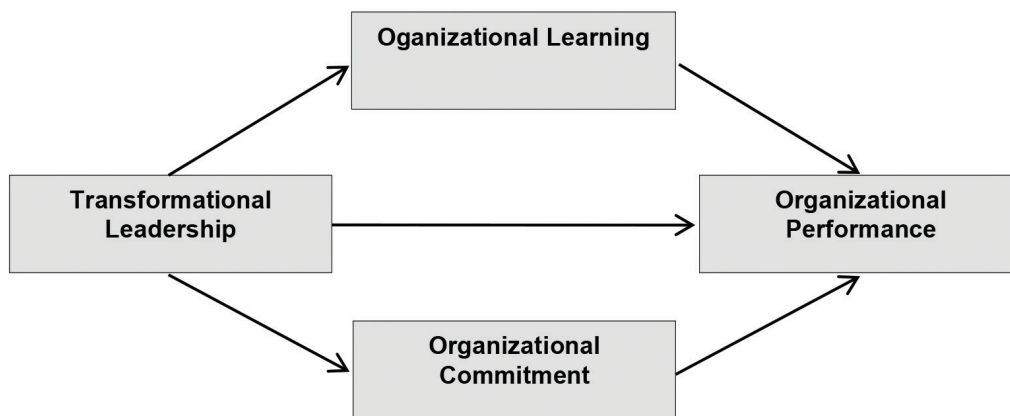


Figure 1: Research Framework

3.2. Data Collection and Sampling

This research design is based on research methods. Researchers collected data from Child Welfare Institutions throughout Indonesia that have been accredited by the Ministry of Social Affairs of the Republic of Indonesia and have obtained a state certificate, namely A with a total sample of 185 respondents. The design used in this study is a causal design. According to (Sugiyono, 2013) the causal method is to see the relationship between the variables and the object under study is more causal so that in his research there are independent variables (variables that affect) and the dependent variable (variables that are affected).

3.3. Method of Analysis

Analysis of the data used in this research was inferential statistical analysis, namely Structural Equation Model, referred to as SEM. This SEM was operated through the “Partial Least Square” (PLS) software, namely version 3.2.8 of Smart-PLS.

4. Results and Discussion

4.1. Results

4.1.1. Test of Validity

Testing using the convergent validity of the measurement model with a reflective indicator is assessed based on the correlation between the item score / component score with the construct score calculated by SEM-PLS. (Ghozali, 2014) argues that an indicator can be said to have good validity if the loading factor value is greater than 0.70, while the loading factor of 0.50 to 0.60 can be considered sufficient. The validity test calculations that researchers had done can be seen in the following Table 1.

Based on Table 1, all variables have a communality value of >0.5 and AVE > 0.5. The result has met the criteria of convergent validity so that all indicators are valid and can be used for further analysis. To ensure validity, the researcher conducted the next test, which was to evaluate the discriminant validity of the research variables. the outcome of the reliability review has been displayed in Table 2.

The results of the calculations show that the square root of the mean extract of variance (\sqrt{AVE}) for each construct is greater to know between one construct and another in the model, so that means that all research variables are guaranteed to have differentiation (Hair et al., 2011, 2014, 2006, 2017; Henseler et al., 2015, 2009).

4.1.2. Test of Reliability

In PLS, reliability testing can use two approaches, namely the Cronbach alpha and Composite reliability.

Table 1: Summary of Validity Test Result

Items	Loading Factor	AVE
Organizational Commitment		
OC1. Affective Commitment	0.797	0.641
OC2. Continuance Commitment	0.714	
OC3. Normative Commitment	0.882	
Organizational Learning		
OL1. Personal Mastery	0.787	0.590
OL2. Mental Models	0.817	
OL3. Shared Vision	0.769	
OL4. Team Learning	0.793	
OL5. System Thinking	0.667	
Organizational Performance		
OP1. Policy	0.802	0.604
OP2. Planning and Budgeting	0.847	
OP3. Quality	0.611	
OP4. Economy	0.824	
OP5. Equity	0.808	
OP6. Accountability	0.747	
Transformational Leadership		
TL1. Idealized influences	0.752	0.601
TL2. Inspirational motivation	0.815	
TL3. Individual considerations	0.708	
TL4. Intellectual stimulation	0.821	

The Cronbach alpha or Composite Reliability rule of thumb must be greater than 0.7, even though 0.6 is appropriate (Hair et al., 2010). Table 3 can be used as the outcome of the reliability review.

Table 3 shows that the Cronbach Alpha and the Composite reliability values are above 0.7 for each component. So, it can be concluded that the instruments used are reliable.

4.1.3. Data Analysis Results: Direct Effect Testing and Indirect/Mediation Effects Testing

Data from the test of validity and reliability was then processed to determine the hypothesis testing results through the Structural Equation Model, which was operated through the “Partial Least Square” (PLS) software, namely version 3.2.8 of Smart-PLS. The results of calculated Smart-PLS can be seen in Figure 2, Table 4, and Table 5.

Table 2: Summary of Discriminant Validity Test Result

	Organizational Commitment	Organizational Learning	Organizational Performance	Transformational Leadership
Organizational Commitment	0.801			
Organizational Learning	0.489	0.768		
Organizational Performance	0.519	0.719	0.777	
Transformational Leadership	0.633	0.442	0.568	0.775

Table 3: Summary Table of Reliability Test Result

	Cronbach's Alpha	Composite Reliability
Organizational Commitment	0.732	0.842
Organizational Learning	0.825	0.878
Organizational Performance	0.867	0.901
Transformational Leadership	0.780	0.857

4.2. Discussion

The impact of transformational leadership on organizational performance: Based on hypothesis test (Tables 4 and 5), it was found that beta coefficient value of 0.274 and t -value of 4,740. The t -value of > 1.98 (two-sided hypothesis) indicates that “transformational leadership is positively influenced by organizational performance”. This means that transformative leadership style in LKSA will strongly promote Organizational performance. The leader explains the vision and provides an understanding of the general goals of the organization so that the LKSA is able to provide good service.

The impact of transformational leadership on organizational learning: Beta coefficient value of 0.442 and t -value of 8,397 were obtained in the results. The t -value of > 1.98 (two-sided hypothesis) indicates that “transformational leadership is positively influenced by organizational learning”. This means that LKSA leaders encourage or inspire subordinates to think of new ideas and are willing to accept criticism and suggestions, so as to create good organizational learning in LKSA.

The impact of organizational learning on organizational performance: Based on hypothesis test, it was found beta coefficient value of 0.563 and t -value of 11,753 were obtained in the results. The t -value of > 1.98 (two-sided hypothesis) indicates that “organizational learning is positively influenced by organizational performance”. Leaders try to find solutions in completing work so that can be the positive impact on the efficiency and effectiveness of the organization performance.

The impact of transformational leadership over organizational performance through organizational learning: According to hypothesis in this research, it was found that mediating organizational learning on relationship between transformational leadership and organizational performance has a partial mediating variable.

The Impact of transformational leadership on organizational commitment: Beta coefficient value of 0.633 and t -value of 18,890 were obtained in the results. The t -value of > 1.98 (two-sided hypothesis) indicates that “transformational leadership is positively influenced by organizational commitment”. The leader explains the vision of what must be done in providing an understanding of the general goals of the organization because the leader has the responsibility to make LKSA's better.

The Impact of organizational commitment on organizational performance: Beta coefficient value of 0.071 and t -value of 1,134 were obtained in the results. The t -value of < 1.98 (two-sided hypothesis) indicates that “organizational culture is has no effect on organizational performance”. Although LKSA employees have a sense of responsibility to make this institution better, the organization has a way to empower human resources. According to (Baron & Kenny, 1986), the role was found to have only partial mediation.

The impact of transformational leadership over organizational performance through organizational commitment: According to hypothesis in this research, it was found that mediating organizational learning on relationship between transformational leadership and organizational performance has no mediating variable. According to (Baron & Kenny, 1986), the role was found to have only partial mediation.

5. Conclusion, Implication and Limitation

5.1. Conclusion

Based on data analysis and the discussion that has been stated, several research conclusions can be stated as follows:

1. Transformational leadership has a positive and significant effect on the Organizational Performance of Child Welfare Institutions (LKSA) in Indonesia.

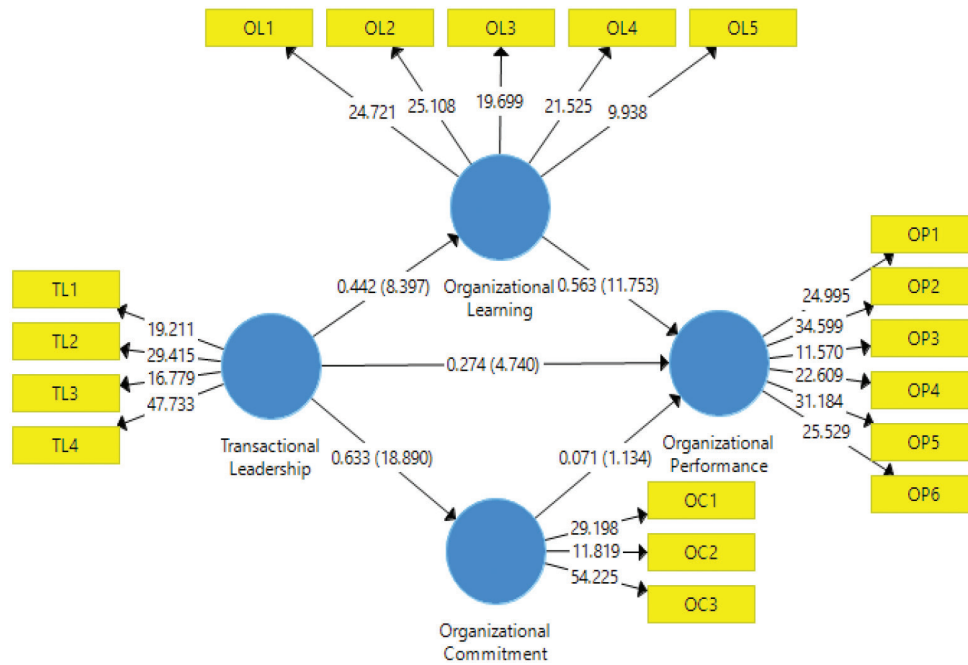


Figure 2: Structural Model Output

Table 4: The Result of Direct Effect Testing

Hypothesis	Relationships Between Variables		Path Coefficient	T-statistics	Description
	Independent Variables	Dependent Variables			
H1	Organizational Performance		0.274	4.740	Positive–Significant
H2	Organizational Learning		0.666	18.182	Positive–Significant
H3	Organizational Learning	Organizational Performance	0.526	9.458	Positive–Significant
H4	Transformational Leadership	Organizational Commitment	0.633	18.890	Negative–Significant
H5	Organizational Commitment	Organizational Performance	0.071	1.134	Positive–Not Significant

Table 5: The Result of Indirect Effect/Mediation Testing

Variables	Inter-Variable Relationship	Path Coefficient	Z-values	Description
Transformational Leadership → Organizational Performance	Direct effect	0.294		Significant
Transformational Leadership → Organizational Learning → Organizational Performance	Indirect effect	0.249	7.53	Significant
Transformational Leadership → Organizational Commitment → Organizational Performance		0.045	1.133	Not Significant

This means that the leadership has a crucial role to play in improving the organizational performance. Good leaders effectively and efficiently help the organization to sustain as well as grow. The leadership of the institution consistently pursues various

strategies for developing human resources for which it is responsible.

2. Transformational leadership has a positive and significant effect on the Learning Institution for Child Welfare Institutions (LKSA) in Indonesia. This means

that leaders are able to encourage maximum learning for their members, it is not easy, but leaders will fully encourage and control the development of learning patterns in the institutions they lead.

3. Transformational leadership has a positive and significant effect on the Organizational Commitment of Child Welfare Institutions (LKSA) in Indonesia. This means that organizational commitment can be applied consistently by the leadership in the institution.
4. Organizational Learning has a positive and significant effect on the Organizational Performance of Child Welfare Institutions (LKSA) in Indonesia. This means that continuous learning is able to take the organization to a much better stage.
5. Organizational Commitment has no significant effect on the Organizational Performance of Child Welfare Institutions (LKSA) in Indonesia. This means that the organization has not been able to instill a sense of ownership of the institution in its members.
6. Organizational Learning is able to mediate the influence of Transformational Leadership on the Organizational Performance of Child Welfare Institutions (LKSA) in Indonesia. This means that the organization will develop faster if the leadership is able to maintain the consistency of its members in learning about the efforts to increase the competence of all human resources.
7. Organizational commitment has not been able to mediate Transformational Leadership on the Organizational Performance of Child Welfare Institutions (LKSA) in Indonesia. This means that low commitment makes it difficult for the organization to achieve maximum performance, even though the leadership is trying to improve it.

5.2. Implication

The study of this research has generated several theoretical and practical implications such as:

1. Institutional leaders can pay attention to the skills of their employees at work such as holding regular and scheduled training, this is by providing team training to support maximum performance.
2. Institutional leaders to be better able to share work and workload fairly with their employees, so that employees do not feel excessive burden and can commit pro-perly to the company, employees feel as if the current organizational problems are individual problems.
3. Institutional leaders can pay more attention to the performance experienced by their employees because

if there is no fairness at work, employees will experience pressure at work.

4. In order for the institution to maintain or become better in terms of justice provided to its employees, the leadership applies the principle of fairness to all team members.

5.3. Limitation

Some limitations faced in the implementation of research include the following:

1. The object of research is still limited to child welfare institutions with A accreditation, namely by limiting the generalization of research findings to one type of institution nationally.
2. In the future, research can be carried out on other types of institutions under the auspices of the Ministry of Social Affairs of the Republic of Indonesia.

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