The Influence of Leadership and Organizational Culture on the Performance of Local Governments in West Java Province

Cornell Syarief P¹, Rifdan², Jasruddin³, Suradi Tahmir⁴

¹(Doctoral Student at Universitas Negeri Makassar, Indonesia)
²(Lecturer at Universitas Negeri Makassar, Indonesia)
³(Lecturer at Universitas Negeri Makassar, Indonesia)
⁴(Lecturer at Universitas Negeri Makassar, Indonesia)

Abstract: The purpose of this study is to investigate and analyze whether both leadership and the organizational culture affect the performance of local governments. This research is important to know whether the leadership of the head of municipality and also organizational culture are the factors affecting the performance of local governments to improve the welfare of the people. This research uses a quantitative and verificative approach applying surveys using a questionnaire instrument consisting of a list of structured questions. The population of this research refers to government employees (ASN) as the observational unit. The research design or equations that is used in the research will be analyzed using Structural Equation Designing (SEM) analysis technique. The data collected is then analyzed statistically so that inductive inference can be drawn and generalized. The results show that Leadership and Organizational Culture significantly influence the Performance of Local Government. The final test results show that there is a real influence of Leadership on Local Government Performance through Organizational Culture. This research contributes to the development of the knowledge of Organizational Behavior Science, that is by explaining the phenomenon of the influence of Leadership and Organizational Culture on Local Government performance in West Java Province region. The results of this study can also be used as the empirical references in the form of recommendations and formulation of actual and pragmatic thoughts for policy makers to improve the performance of local governments in West Java Province.

Keywords: Organizational effectiveness, Performance, Leadership, Organizational Culture

Date of Submission: 12-02-2018
Date of acceptance: 27-02-2018

1. INTRODUCTION

Law No. 23 Year 2004 on Local Government becomes as the reference in the implementing local government by giving authority to local governments to arrange and manage their respective regions.

Through broad autonomy, it is expected that the regions will be able to improve their competitiveness by taking into account the principles of democracy, equity, justice, privilege, and uniqueness along with the potential and regional diversity within the system of the Unitary State of the Republic of Indonesia (NKRI).

If we expect from the view of obligation holders for the governmental implementation, then most of the government affairs which become the responsibility of the central government are handed over for government in region, that is provincial/district/municipal government.

In line with that, there is one interesting phenomenon in West Java Province regarding the spreading opinion on local government financial statements (LKPD) in 2005 until 2016.

Eight years investigation by the Supreme Audit Agency (BPK) over LKPD in 27 Districts/Cities in West Java Province seemed to hardly satisfy the district/municipal government to reach the best opinion of the unqualified opinion (WTP). Until LKPD in 2010, no one has succeeded in reaching the opinion of WTP. While LKPD in 2011 and 2012 only three regions that succeed in reaching opinion of WTP.

Starting from LKPD period 2013 to 2016, it shows a significant increase that the district/municipal government in West Java Province is able to reach the opinion of the WTP. LKPD 2016 left only 3 regencies/municipal governments which have not succeeded in reaching the opinion of WTP from 27 Regency/Municipal Government. (source: IHPS of Supreme Audit Board of The Republic of Indonesia).

LKPD, which has won the opinion of WTP shows that the finance management and accountability of the District/Municipal Government have been implemented in a transparent and accountable manner. It means that it has implemented one of the principles of good governance.

The success of reaching the opinion of the WTP gives hope that the regency/municipal government in West Java Province will also be able to achieve all goals contained in its Regional Medium Term Development Plan (RPJM) which also contributes in achieving national aspirations contained in the 2005-2025 National Long Term Development Plan (RPJPN) and National Medium Term Development Plan (RPJMN) 2015-2019.

There are still many problems that need to get the attention of regency/municipal government in West Java Province especially on:

1) Poverty based on BPS data in 2016 reached 4.2 million people or 8.95%, only slightly decreased from 2015 by 4.4 million people or 9.53%;
The Influence of Leadership and Organizational Culture on the Performance of Local Governments

2) Education based on pure participation data from BPS, in 2015 West Java population aged 19-24 years who continue education until college is only 15.78%. The number actually decreased from the year 2014 as much as 17.48%;

3) Open unemployment rate reached 8.72% by 2015, up from 8.45% the previous year (one data source);

4) Environmental damage caused by industrial activity which discharges its waste directly to the river, so that polluted river water reaches moderate pollutant level 23.45% and many change of land function in absorption area become settlement area or farm land. Changes in the function of the land resulted in floods and landslides. All these problems require the central government and district/municipal governments to improve their performance to, public services, competitiveness, and prosperity of the people.

Jones (2007:2) explained that "an organization is a response to and a means of satisfying some human needs’. The level of organizational effectiveness which reaches its goal is called organizational performance.

The definition of performance composed by experts is in an enormous amount. One of them is expressed by Armstrong (2006: 7) as follows:

Performance is often defined simply in output terms – the achievement of quantified objectives. But performance is a matter not only of what people achieve but how they achieve it. The Oxford English Dictionary confirms this by including the phrase ‘carrying out’ in its definition of performance: ‘The accomplishment, execution, carrying out, working out of anything ordered or undertaken.’ High performance results from appropriate behaviour, especially discretionary behaviour, and the effective use of the required knowledge, skills and competencies. Performance management must examine how results are attained because this provides the information necessary to consider what needs to be done to improve those results.

The difference in goals between public organization and private organization leads to differences in the complexity of tasks and obligations undertaken by an organization. In line with this, according to Au, 1996; Anspach, 1991; Brewer and Selden, 2000: 688) in Cheong (2010) reveal the difficulty of measuring performance in public organizations.

Nevertheless, the process of research and measurement of the performance of public organizations has been largely undertaken. Indicators for measuring the performance of public organizations by Salim and Woodward (1992) are Workload/Domain, efficiency, effectiveness dan Equity. Poister (2003:3) elaborates the dimensions of performance, such as effectiveness, operating efficiency, productivity, service quality, customer satisfaction, and cost effectiveness. Meanwhile, according to Furqan (2012) Value for Money performance measurement is a measure of performance for the economic value, efficiency, effectiveness of an activity, program, and organization.

While Performance indicators of public organizations used by Dwiyanto (2005) are productivity, service quality, responsiveness, responsiveness, and accountability.

Taking into account the earlier definition of performance indicates some of the appropriate performance indicators for local government organization, namely effectiveness, service quality, responsiveness, and efficiency.

Several efforts to identify the determinants of organizational success or organizational performance have long been done. Ivancevich (2014: 433) asserts that leadership is a very decisive variable to the effectiveness of the organization and (Yukl, 2006:5) most behavioral scientists and practitioners seem to believe leadership is a real phenomenon that is important for the effectiveness organization (Robbins, 2013:402) where an organization needs strong leadership and strong management for optimal effectiveness.

The definition of leadership by management experts is as follows:

- Daft (2005:5) stated that leadership is an influence relationship among leaders and followers who intend real changes and outcomes that reflect their shared purposes.
- Ivancevich et al (2014:435) Leadership is ‘the process of influenc[ing people to enable the achievement of relevant goals’.
- Hemphill & Coons, (1957:7)"Leadership is “the behavior of an individual… directing the activities of a group toward a shared goal”.
- House et al., (1999:184) Leadership is “the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organization.....”.

Generally, leadership is defined as a goal achievement and a process of an influencing, directing, and motivating leade to achieve organizational goals.

One more factor determining organizational effectiveness or organizational performance which is none other than an organizational culture. Schein emphasized that (2004:7-8) consultants have touted ‘culture surveys’ and have claimed that they can improve organizational performance by helping organizations create certain kinds of cultures.

Osbourne (2005:76) highlights the importance of organizational culture in organizational development research, it is conceived as a powerful tool to assist in achieving greater organizational productivity (Kopelman et all, 1990), improving organizational performance (Schwartz and Davis 1981; Wilkins and Ouchi 1983) and promoting organizational effectiveness (Weiner 1998).

Thus, it can be explained that leadership and organizational culture influence organizational performance and leadership as to improve organizational performance by developing and managing organizational culture.

In relation to the importance of local governance as has been described, it is necessary to conduct research to discover and analyze the influence extent of leadership and organizational culture on the performance of local government in West Java Province.

By considering the experts’ opinions, the organizational culture dimension in accordance with the duties and functions of local government cover innovation, performance orientation, team orientation (teamwork), and continuous learning.

II. RESEARCH METHODOLOGY

This research is quantitative and verificative which involves local government and State Civil Apparatus (ASN) as observation units. Aaker (2004) explains “research which is usually designed to provide a summary of some aspects of the environment when the hypotheses are tentative and speculative in nature”. A verificative research is to test the truth of an empirical hypothesis by using data collected from the field. This method is known as an explanatory survey. Surveys are research activities which data collection is done by using an instrument consisting of a structured list of statements. The data collected is then analyzed statistically so that an inductive retrieval can be drawn to verify the hypothesis as follows:
1. There is a real influence of the leadership on the cultural organization of local governments in West Java Province;
2. There is real influence of leadership on local governmental performance in West Java Province;
3. There is a real influence of organizational culture on local governments’ performance in West Java Province;
4. There is a real influence of leadership on local governments’ performance in West Java Province through organizational culture;

Based on the research problems and conceptual hypotheses that have been prepared, the relation between variables can be described in the framework of the relation structure below:

![Structural Design of Research Variables](image)

From the design above, it is described that \( X_1 \) is leadership, \( X_2 \) is organizational culture, and \( Y \) is local governments’ performance. The variable \( X_1 \) is an exogenous variable that directly affects the endogenous variable \( X_2 \). On the whole, the variable \( Y \) is considered as an endogenous variable which is affected by \( X_1 \) and the variable \( X_2 \) as mediators or which affect the relation.

The indicators of leadership variable (\( X_1 \)) are influencing, directing, motivating, and achieving; while organizational culture indicators (\( X_2 \)) are innovation, performance orientation, teamwork, and continuous learning. For the indicators of local governments’ performance variables (\( Y \)) are effectiveness, service quality, responsiveness, and efficiency.

In this research, the research design was analyzed using Structural Equation Designing (SEM) analysis technique along with LISREL 8.30 program. This SEM technique is one of the analytical techniques in the field of statistics which is able to check simultaneously the series of dependence relation among the variables either observed or measured for its latent variables. The equation design consists of two types namely (1) the measurement equation and (2) the structural equation. The relation between the indicator variable and the latent variable is the measurement equation, whereas the relation among latent variables is known by the term of structural equation (Hair, 2010: 629).

III. FINDINGS AND DISCUSSION

Regency/municipal governments in West Java Province have made a lot of progress especially in creating transparent and accountable financial management. The best opinion of WTP for 2016 has been successfully achieved by 24 districts/municipal governments and only 3 regencies/municipalities have not succeeded. The opinion of WTP indicates that the financial management of regency/municipal governments in West Java Province has been implemented in a transparent and accountable manner. The success should be favorable, but not being complacent. Because, from the observing data on government performance indicators, there are still many unpleasant matters. District/municipal government in West Java Province needs to continuously improve its performance.

This research aims to determine and measure the factors that significantly affect the performance of district/municipal government in West Java Province using research instruments as a tool to extract data in the form of a written statement. The structured statements used in the instrument are the representation of the observed organizational variables such as: (1) Local Governments’ Performance; (2) Leadership; and (3) Organizational Culture. Each variable is measured by indicators used as a measuring tool, then from each indicator is reduced to a minimum of 5 (five) statements. In addition to the operational variables, the sociodemographic variables are also explored from the respondents such as age, sex, group, position, and working period to enrich the research in more adequate information related to the field.

Reliability Test and Instrument Validation

A good instrument should be able to provide consistent and stable measurement results of the object. This is confirmed by the reliability test. While validity is a measure that indicates the extent of the instrument’s ability which can measure what it wants to measure.
The Influence of Leadership and Organizational Culture on the Performance of Local Governments

To the result of the process of decreasing the research variables up to the items of the statement amounting to 103 pieces, a pre-test is conducted to test the instrument by involving 45 subjects in the office of Representatives BPK of West Java Province. This election is taken with the consideration that the employees have the understanding and knowledge that is relatively the same with the management carried out throughout the district/municipal governments in West Java Province.

The results of reliability test using Cronbach’s Alpha statistical test share a value of 0.972. These statistics show that the arranged instruments are categorized as very reliable. These results can serve as the basis that the instrument can provide highly reliable data of the research.

Validity test is to measure the correlation of each item used in the instrument with the total value of all items. In its principle, the items used to measure a respondent’s circumstances or behavior will be valid if it has strong positive support or correlation to the total value of all items. To calculate correlation power, Pearson formula is used.

The results of validity test show that from 103 items tested, there are only three items categorized as invalid because of having correlation value less than 0.304. Thus, if we consider the reliability and validity test results, the instrument used in the research is as many as 100 statement items.

As mentioned earlier, this research involves local governments and State Civil Apparatus (ASN) as observation units. Considering the efficiency and representational aspects, the obtained data were only a part of the population units by focusing the study on several district/municipal governments in West Java Province. The samples were selected using probability sampling technique, that is stratified sampling. As the result, there are 13 of the 24 district/municipal governments which its LKPD has obtained WTP opinion, with the number of ASN as the minimum sized sample in each district/municipal government as many as 45 samples. In other words, the number of respondents required as many as 585 samples. In its implementation, the the questionnaire are collected from 589 respondents.

The data collected from the respondents is then processed through the following stages: coding, editing, cleaning, and analyzing. To explore the variables of leadership, organizational culture, and local governments’ performance, it is usually measured by likert scale or ordinal scale.

Quantitative Description of Each Variable

This analysis is used to describe and discover the condition quantitatively of each research variable for obtaining clear information and description concerning the condition of leadership, organizational culture, and local governments’ performance. In this analysis, the comparison of variable values can be done to discover the group of respondents which has the highest average statistics or the lowest, whether for its level or score achieved.

The prevailing leadership within the district/municipal government’s organization is generally perceived to be high by the subject with the rating of 4.10 out of 5.00. The statistics suggest a positive assessment of the perceived leadership. While directing dimension becomes the highest rating of 4.13. For motivating dimension, the rating is 4.11 and two other dimensions of influencing and achieving attain 4.08.

The rating achieved by the organizational culture variable is 4.03, the teamwork dimension attain 4.11 which by the subjects is considered better than the three other organizational culture dimensions, that is innovation, performance Orientation, and continuous learning. Each has rating level of 4.10, 3.99, and 3.93.

Rating given by the subjects for local governments’ performance variable is only amounted to 3.94. Even the efficiency dimension is much lower as 3.81. Since the rating is the lowest compared to the rating on other dimensions, it needs to be further explored as the statistics show that the subject observed the efficiency dimension has not gone well.

In testing variables’ relation, firstly it must conduct inductive analysis or also known as inferential terms, that is to verify whether the obtained research data support the theory described or not.

Conformity Testing Goodness of Fit Design

The resulting design should be tested to ensure design conformity through a review of the various goodness of fit criteria.

1) Chi-square Testing ($\chi^2$)

A design is considered good or satisfactory if Chi-square statistics ($\chi^2$) has a low value and significance value greater than cut off value ($p>0.05$). Based on the test result of chi-square value ($\chi^2$)=0.0000 which nearly obtains 0. Thus, it can be concluded that the design formed is very suitable or fit.

2) RMSEA (The Root Mean Square Error of Approximation)

RMSEA statistics shows the goodness of fit that can be expected if the design is estimated in the population (Hair et.al., 2010). RMSEA value which is smaller or equal to 0.08 is indicative of acceptable design. This shows the close fit condition of the design based on degrees of freedom. The RMSEA value obtained from the analysis result is 0.0000 indicating that the established design is acceptable and reliable to its compatibility.

Hypothesis Testing

1) It can be proven statistically that there is a real influence of leadership on organizational culture. The design testing gives a significance value of 0.000. In further analysis, the influence of the leadership aspect on organizational culture is 59%.

2) It can be proven as well that there is a real influence of leadership on local government performance. Based on its coefficient determination value, the leadership aspect gives an influence of 19.0%.

3) Individually, the aspect of organizational culture gives a real influence as 36.0% on local governments’ performance.

4) The indirect influence of leadership aspect on the performance of district/municipal governments through organizational culture is 21.0%.
Based on the analysis and significance test of all hypotheses compiled in this research, all the results provide the conclusion of a meaningful relation of the design, either as a whole or each hypothesis individually. Thus, the results of research data generally indicate the support on the concept or theory which discusses the relationship or the positive influence of leadership aspect on the performance of regency/municipal government, either directly or through organizational culture aspect.

Related to leadership and its role in an organization, Cebula, et al. (2012) describe as follows:

Leadership ... is critical in determining how an organization accomplishes its legal, ethical, and societal responsibilities, including public safety and responsible stewardship of public resources. Leadership is also concerned with the responsibilities involved in running and guiding the organization and all of its staff members.

The results give support to (Yildiz, Bastruk, Boz; 2014: 785-793) that the performance of the organization is influenced by the applied leadership style and organizational innovation. Widono (2012) which connects the performance of subdistrict officials with leadership, while Kiswanto (2010) states the existence of a positive relation between leadership and organizational performance. Related organizational culture research results support Awadh (2013) who found that a strong culture able to improve organizational performance.

Culture is both a dynamic phenomenon that surrounds us at all the times, being constantly an acted and created by our interactions with others and shaped by leadership behavior, and a set of structure, routines, rules, and norms that guide and constrain behavior (Schein, 2004:1). These dynamic processes of culture creation and management are the essence of leadership and make one realize that leadership and culture are two side of the same coin.

Schein's statement explains the results of research more detail that leadership is not just an effect on organizational culture, but is very instrumental in establishing and managing organizational culture and that is the essence of leadership.

Organizational experts define organizational culture as follows:

- Jones (2008:8): ‘Organizational culture is the set of shared values and norms that control organization member interactions with each other and with suppliers, costumers, and other people outside the organization’;
- Robbins (2013: 512): ‘Organizational culture: A system of shared meaning held by members that distinguishes the organization from other organizations’;
- Ivancevich (2014:38): ‘Organizational culture is what the employees perceive and how this perception create a pattern of biliefs, values, and expectations’.

These definitions suggest that organizational culture deals with beliefs, values, norms, meaning, but does not affirm what values are, since organizational culture is a choice that must be tailored to the organization’s goals or roles. Units in local government that provides the service must develop an organizational culture which also supports the function of service, which is the productive one toward the service function that must be improved or changed. By changing organizational culture, top leadership can directly influence motivation and behavior of organizational members (Yukl, 2006: 202). Changes within the organization become a valuable medium for reengineering organizational culture and giving direction to where organizational culture is shaped (Kavanagh, 2006).

These underlying beliefs and values help organizational members in dealing with issues related to organizational sustainability in the external environment and internal integration issues (Yukl, 2013: 286).

Cultural changes can occur within the organization for various reasons. Some are the need for organizational improvement, the behavior influence of organizational members, the better customer service system, or the achievement of the objectives or performance outcomes of a particular organization (O’Riordan, 2015: 13). Furthermore, it is also described five principles that will support cultural change in the organization, such as: match strategy and culture, focus on a few critical shifts in behavior, honour the strengths of your existing culture, integrate formal and informal interventions, measure and monitor cultural evolution.

Changes made do not have to replace all aspects of the current culture, but can also only replace the negative aspects or aspects of contra-productive with the target organization.

Considering district/municipal government is required to improve its performance, then several cultures that must be developed such as, innovative culture oriented towards performance improvement (performance oriented) and continuous learning. As noted by (Duygulu, 2009), leadership that focuses on change allows the emergence of innovation within the organization.

Organizational culture development process can be through formal means by optimizing the organizational structure of law enforcement or through informal ways that emphasizes the interpersonal relationships among members of the organization. A more optimal way can be chosen in order to be able to achieve the change of organizational culture effectively.

Finally, in order for the changing organizational culture can be achieved effectively and efficiently, the monitoring and measurement of the changes should be done systematically and structured. Without such efforts, the changing efforts made to be useless because there is no evaluation process.

IV. CONCLUSION

The leadership of a regional head significantly influences the performance of local government. It is recommended that the head of the region continues to improve its leadership capacity, especially regarding organizational culture. Knowing further management of the organizational culture which is appropriately directed to improve the performance of the local government he leads. ASN of local government have realized the importance of cooperation (teamwork) in carrying out official duties which needs to be improved to keep innovation oriented to the performance and the spirit to continuous learning for improving knowledge and skills related to their work. By that means, the local government can be better in carrying out its function to develop and provide services as public servants.
The Influence of Leadership and Organizational Culture on the Performance of Local Governments..

BIBLIOGRAPHY

[1] Law No. 23 Year on Local Government, 2014
[2] Supreme Audit Board of The Republic of Indonesia (BPK) regarding the Audit Report Summary of Semester 1 (HIPS).
[5] One Data of Development in West Java (Satu data Pembangunan Jawa Barat)
[41] O’Riordan, Joanna.. Organisational Culture and Public Service, State of The Public Service Series (Institute of Public Administration, 2015)

DOI: 10.9790/0837-2302114651 www.iosrjournals.org 51 | Page