THE INFLUENCE OF SITUATIONAL LEADERSHIP AND ORGANIZATIONAL CULTURE MODERATED BY COMPENSATION ON EMPLOYEE PERFORMANCE

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PAPER INFO

Received: June 2022
Revised: June 2022
Approved: June 2022

ABSTRACT

Background: The development of the retail business is quite rapid and followed by very fierce competition, causing PT Midi Utama Indonesia Tbk. Palu Branch needs to maintain a competitive advantage to remain competitive with other companies. Employees become one of the important resources to maintain a competitive advantage. Therefore, improving employee performance is required at all times, where changes occur so quickly and are difficult to predict.

Aim: This study aimed at analyzing the influence of situational leadership and organizational culture moderated by compensation on employee performance.

Method: Respondents in this study were 108 office employees using the saturated sample technique (Census) in determining the sample. The data collection method uses a questionnaire and is analyzed using SEM-PLS.

Findings: The results of this study show that situational leadership has an insignificant positive direct influence on employee performance. Likewise, the effect of a positive interaction is insignificant between compensation and situational leadership on employee performance. Meanwhile, organizational culture has a positive and significant effect directly on employee performance. The effect of the interaction of compensation and organizational culture proved to be positive and significant in influencing employee performance. The company is expected to maintain a clan culture that prioritizes teamwork and collaborativity. Furthermore, the application of more flexible leadership according to the conditions and situations faced by the company needs to be optimized. In the end, the provision of indirect financial compensation needs to be improved so that it can strengthen the improvement of employee performance.

KEYWORDS
situation leadership, organizational culture, compensation, employee performance, competitive quality

INTRODUCTION

PT Midi Utama Indonesia Tbk, is one of the companies from Indonesia operating in the retail sector spread across several cities in Indonesia including in Palu City. As a retail company, the company prioritizes the best service for customer satisfaction in order to be able to dominate the retail market in Indonesia. Based on the Annual Report of PT Midi Utama Indonesia Tbk (2020) as a whole, it managed to minimize the impact of the economic slowdown due to the COVID-19 pandemic and recorded revenue growth of 8.90% from IDR 11,625,313 million in 2019 to IDR 12,659,705 million in 2020. In addition, this company received the Indonesia Outstanding Performers In Pandemic Era 2020 Award in the Successfull Business in Pandemic Era category from SWA Magazine.

The increase in revenue growth in 2020 in this company, followed by the achievement of awards, became a positive phenomenon while explaining that this company was able to
maintain a competitive advantage in the current era of information technology development, even during the pandemic that occurred since the beginning of 2019. Achieving this certainly requires cooperation and mutual support from each employee. Employee performance in mastering information, technology and awareness of main tasks and functions is a form of readiness in responding to changes that occur so quickly. Such performance is always needed in winning the competition. Based on this explanation, consistency over the quality of human resources in providing the best performance at any time is very crucial because it is a determinant of the company's overall performance in facing changes that can occur at any time in a very tight competition.

Performance becomes a keyword on the achievement of organizational goals so that the company is required to improve the individual performance of its employees (Istijanto, 2006). In addition, Gibson (2003) in Sagita et al. (2018) argues that every employee in the organization is required to make a positive contribution through performance, given that the performance of the organization depends on the performance of its employees. Furthermore, leadership is one of the factors that has an important and central role in the life of the organization, including in improving employee performance. As Bassem and Adel (2018) state that leadership is the art of communicating a clear vision and empowering employees to achieve organizational goals. Furthermore, the leadership style of a manager according to the theory of leadership behavior has a direct influence on the effectiveness of teamwork (Kreitner & Kinicki, 2005).

Situational leadership style is one of the leadership styles that companies can apply to maintain competitive advantage while overcoming the challenges of today's globalization where changes are always happening and are very difficult to predict. The situational leadership theory (SLT) approach is a school of management theory that emphasizes certain situations or conditions faced. The manager must be able to identify the cues that occur in his environment. The ability to self-characterize and adaptability to the demands of the environment can direct managers to effective behavior (Hersey & Blanchard, 1977). Leadership will be effective if the leader's self-ability is supportive in dealing with situations and conditions that come from the company's internal and external environment. Thus, a situational leadership style is indispensable in the face of constantly changing situations and conditions.

Situational leadership as effective leadership to be applied to the company PT Midi Utama Indonesia Tbk., to face the current conditions and challenges of globalization. Stoner et al. (1996) states that the effectiveness of a manager's leadership depends on the application of leadership style to the needs of the situation. In this case, the leadership style used is situational leadership, where the leader will contribute best to the achievement of organizational goals that have different or varied situations and environments. Therefore, situational leadership style is expected to overcome the complexity of globalization challenges faced by companies, including in maintaining competitive advantage through improving employee performance.

The process of improving employee performance is not only through the application of good leadership but also through the application of a strong organizational culture. According to Barney (1986) the resource-based view/theory (RBV) significantly contributes to the understanding of the organization and organizational resources in a competitive scenario. Among them, organizational culture is considered one of the most important intangible strategic resources in developing competitive advantages. Organizational culture guides the members of the company in carrying out their duties and responsibilities. A strong culture is a
useful instrument in directing employee behavior to have higher work performance. Therefore, at the beginning of his career, an employee must understand his organizational culture (Pujiono et al., 2020).

Furthermore, an organization needs to take into account organizational culture in order to adapt to challenges and some nationally applicable boundaries. In this case, the organizational culture is applied thoroughly to all parts of the company including the company's branches spread across different regions in Indonesia. Meanwhile, according to Schein (1995) organizational culture is a set of beliefs, expectations and basic principles shared by the members of the organization. The organization will carry out activities well as long as it has an effective organizational culture. An effective organizational culture is a culture that can be strongly applied by members of the organization, but a strong organizational culture will not necessarily run easily, so adjustments are needed.

Based on the explanation above, it is known that the application of situational leadership and organizational culture is an external factor as well as a concept of a process of improving the performance of quality employees in achieving and maintaining competitive advantage. All of that should require effective resource management. Strategies in managing human resources are very important to pay attention to, including through the application of leadership styles and organizational culture that are appropriate in accordance with the demands of the situation and conditions in the current era of globalization.

However, there are several empirical studies that show that the influence of situational leadership and organizational culture on improving employee performance is still inconsistent. Several studies have been carried out related to the relationship between situational leadership and employee performance which shows a significant positive influence (Dermawan et al., 2018; Diwiyani & Sarino, 2018). It can be stated that if the application of situational leadership style is carried out appropriately in accordance with the needs of subordinates, it will provide enthusiasm in improving employee performance. In another study, situational leadership had an insignificant positive influence on employee performance (Azizah et al., 2017; Purnamasari et al., 2019). One of these results explains that the role of a leader in improving employee performance is not only internally adjusting to the situation but also in dealing with various situations outside the organization.

In addition, several previous studies have also been carried out related to the relationship between organizational culture and employee performance which shows a significant positive influence. Organizational culture in this case is interpreted as mutual agreement among members in improving performance, especially through the involvement of members. But nevertheless, there are also studies that show that organizational culture has an insignificant positive relationship to employee performance (Bassem & Adel, 2018; Pawirosumarto et al., 2017). Organizational culture in this study has a insignificant influence on employee performance, because the organizational culture contained in the company has not been fully embedded in every employee's personality (Azizah et al., 2017).

**METHOD**

This research uses quantitative methods with an explanatory research approach. This study analyzes and explains the relationship between situational leadership, organizational culture, and compensation in improving employee performance.
This study uses the Structural Equation Model (SEM) analysis method with the Variance Based SEM approach or better known as Partial Least Square (SEM-PLS). This research uses WarpPLS 7.0 software. WarpPLS analysis is a development of PLS analysis. Considering that WarpPLS is a development of PLS, this applies the same as PLS, namely the use of PLS in research in accordance with the research objectives, where this research aims to predict and develop theories, while Covarian Based SEM is more aimed at the purpose of testing and confirming theories (Solimun et al., 2017).

This research was conducted at the office of PT. PT. Midi Utama Indonesia Tbk, Palu Branch in November 2021. The population in this study was non-outlet employees, namely employees of the Palu Branch of PT Midi Utama Indonesia Tbk office whose number was known (finite population), namely 108 employees (HRD Department, 2021). The sampling technique used in this study was saturated sampling or known as the census method. So it can be concluded, the sample in this study was 108 employees consisting of 92 male employees and 16 female employees. These employees were both a sample and a respondent in this study. The data collection techniques used in this study are surveys and documentation.

The primary data in this study are data related to situational leadership variables, organizational culture, compensation and employee performance obtained directly from respondents through filling out questionnaires. Meanwhile, the secondary data used in this study was collected from printed sources, where the data had been collected previously by other parties. Secondary data is obtained from the company's annual report. Other data related to situational leadership, organizational culture, compensation and employee performance are obtained from books, journals, websites and online magazines.

This study used software WarpPLS 7.0 which was run with computer media as a data analysis method. Partial Least Square (PLS) is a variant-based Structural Equation Model (SEM) analysis that can simultaneously test the quantifying model as well as test the structural model.

RESULTS AND DISCUSSION

To find out the relationship between variables in this study, it can be seen from the significance of the estimated parameters. The statistical test for hypothesis testing is with t-test. The t-table value for 5% alpha is 1.96. So that the criterion of acceptance of the hypothesis is when the t-statistic > the t-table (t-statistic < 1.96). T-statistical testing (Sholihin & Ratmono, 2020) in the PLS is carried out by the resampling method, which can also minimize the abnormality of the research data. Table 1 shows the results of resampling the direct influence of independent variables on dependent variables. Table 2 shows the results of the influence of moderation of compensatory variables on the influence of situational leadership variables and organization culture variables on performance.
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Table 1. Hypothesis Testing of Direct Influence

<table>
<thead>
<tr>
<th>Variable Relationships</th>
<th>Path Coefficient</th>
<th>p-value</th>
<th>t-statistics</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 Y→</td>
<td>0.124</td>
<td>0.092</td>
<td>1.334</td>
<td>Positive not significant</td>
</tr>
<tr>
<td>X2 Y→</td>
<td>0.532</td>
<td>&lt;0.001</td>
<td>6.400</td>
<td>Positive significant</td>
</tr>
</tbody>
</table>

Source: Processed Primary Data (2021)

Table 2. Hypothesis Testing of the Influence of Moderation (Interaction Effect)

<table>
<thead>
<tr>
<th>Variable Relationships</th>
<th>Path Coefficient</th>
<th>p-value</th>
<th>t-statistics</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z X1 Y→→</td>
<td>0.099</td>
<td>0.145</td>
<td>1.061</td>
<td>Positive not significant</td>
</tr>
<tr>
<td>Z X2 Y→</td>
<td>0.228</td>
<td>0.007</td>
<td>2.518</td>
<td>Positive significant</td>
</tr>
</tbody>
</table>

Source: Processed Primary Data (2021)

Based on the test results in the table above, the results of testing the hypothesis of direct influence and influence of moderation (interaction effect) can be illustrated through the research model shown in figure 5.1 as follows:

Based on table 1 and table 2 illustrated in figure 1 above, the results of testing each hypothesis in this study were obtained. In general, it can be concluded that the relationship between variables has a significant positive and insignificant positive influence between one variable and another. Furthermore, further explanations regarding the influence between each variable can be seen in the description below.

H1: There is a Positive and Significant Influence on Situational Leadership in Influencing Employee Performance

The hypothesis of the influence between the situational leadership variable (X1) on employee performance (Y) obtained a path coefficient of 0.124 with a t-statistical value of 1.334 which should be (t > 1.960) or p-value 0.092 which should be (p < 0.05) so that the
situational leadership variable (X1) has an insignificant positive influence on the employee performance variable (Y). This result makes it clear that the better the implementation of situational leadership, the better it will be followed by an increase in employee performance which is also better but with a low scale of improvement. Thus it can be concluded that the first hypothesis (H1) is rejected.

H2: There is a Positive and Significant Influence on Organizational Culture in Influencing Employee Performance

The hypothesis of the influence between organizational culture variables (X2) on employee performance (Y) obtained a path coefficient of 0.532 with a t-statistical value of 6,400 (t > 1,960) or p-value < 0.001 (p < 0.05) so that the organizational culture variable (X2) has a positive and significant influence on employee performance variables (Y) meaning that the better the organizational culture applied to the company, the better the employee performance will increase properly. Thus it can be concluded that the second hypothesis (H2) is accepted.

H3: There is a Positive and Significant Interaction between Compensation and Situational Leadership in Influencing Employee Performance

The hypothesis of the influence between the compensatory moderation variable (Z) on situational leadership (X1) on employee performance (Y) obtained a path coefficient of 0.099 with a supposed t-statistical value of 1.061 (t > 1.960) or p-value 0.145 which should be (p < 0.05) so that the interaction between the variables of compensation moderation and situational leadership has an insignificant positive influence on the employee performance variable. This result makes it clear that the better the application of compensation, the better the situational leadership relationship will be in improving employee performance, but in this case the increase in employee performance is on a low scale of improvement. Thus it can be concluded that the third hypothesis (H3) is rejected.

H4: There is a Positive and Significant Interaction between Compensation and Organizational Culture in Influencing Employee Performance

The hypothesis of the influence between the compensation moderation variable (Z) on organizational culture (X2) on employee performance (Y) obtained a path coefficient of 0.228 with a t-statistical value of 2.518 (t > 1.960) or p-value 0.007 (p < 0.05) so that the interaction between the compensation moderation variable and organizational culture has a positive and significant influence on employee performance variables. This result shows that the better the application of compensation, the better the relationship of organizational culture imposed on the company in improving employee performance. Thus it can be concluded that the fourth hypothesis (H4) is accepted.

The Effect of Situational Leadership on Employee Performance

Based on the results of the analysis, it is known that situational leadership has a positive and insignificant influence on the performance of employees. This result proves that there is a weak relationship between the two variables with a positive correlation. This fact shows that
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the application of situational leadership in PT. PT. Midi Utama Indonesia Tbk. Palu Branch has not been optimal in facilitating the improvement of employee performance.

Although there were statement items that scored the highest on the study, "managers had discussions with employees to find the best solution". But item it only represents a style of consultation. This statement shows that the managers in the company PT Midi Utama Indonesia Tbk. Palu Branch apply well the consulting style which is one of the situational leadership styles. The leader's behavior has a high category of direction and high support, but the leader still gives a lot of direction and still makes directions almost the same as the decision, but this is followed by increasing the number of two-way communication and supportive behavior by trying to hear followers' feelings about the decisions made and respect their ideas and suggestions (Hersey and Blanchard, 1982).

However, the application of situational leadership is not strong enough in improving employee performance optimally in this company. The strategy becomes only one of the parts needed by employees in achieving the goals of the company, in this case the existence of consultation in solving problems. Meanwhile, a successful leader is a leader who can adapt the leadership style to the needs of the situation. Stoner et al. (1996) explains that leaders will best contribute to the achievement of organizational goals that have different or varied situations and environments. In line with this opinion, Azizah et al. (2017) revealed that the role of a leader in improving employee performance is not only internally adjusting to the situation but also in dealing with various situations outside the organization. The above facts are in line with the condition of retail companies which in 2021 face very fierce competition (Ismoyo, 2021) so that it requires a leader who is flexible in implementing leadership and is able to act quickly and on target and encourage employees to provide the best performance in maintaining the company's competitive advantage.

The results of this study are in line with the results of research conducted by Azizah et al. (2017), Hartono (2018), Purnamasari et al. (2019) which finds the presence of a weak influence between situational leadership on employee performance. Empirically, Purnamasari et al. (2019) explained that the behavior of leaders who only conduct discussions in carrying out tasks does not necessarily support employee performance optimally if it is not followed by the provision of responsibilities, for example giving up supervision of the implementation of duties to employees. Furthermore, the results of this study support Chen and Silverthorne's research (2005) which shows that SLT (Situation Leadership Theory) has no relationship to employee performance. SLT explains that the leader's behavior will be effective depending on the level of readiness of the leader in trying to influence others. This suggests that high-value leadership does not always make employees willing to perform tasks.

The Influence of Organizational Culture on Employee Performance

Based on the results of the analysis, it is known that organizational culture has a positive and significant influence on employee performance. This result proves that there is a strong relationship between the two variables with a positive correlation. This fact shows that the implementation of a good organizational culture will cause employee performance to increase optimally. This means that if the variables of organizational culture are of high value, it will have an impact on the high level of employee performance. This includes the statement item that has the highest score on the organizational culture variable in this study, namely "This

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company develops human resources through teamwork". The item represents clan culture. Furthermore, with the implementation of a structured clan culture, the performance of employees represented by contextual performance with the highest statement item score, namely "I used to help my co-workers when asked or needed" increased significantly. The statement shows that the organizational culture in the company PT Midi Utama Indonesia Tbk. Palu Branch prioritizes collaboration or teamwork as the key in winning the competition in the current era of globalization.

The results of this study indicate that a clan culture that emphasizes cohesion, collaboration and commitment in the form of teamwork, participation and consensus is well received and implemented by employees. It encourages employees to achieve the goals and values of the organization. In such a culture, the employees feel like a family or group that has a strong emotional bond. In parallel, this culture values communication, mutual knowledge sharing, loyalty and maintaining relationships between employees, customers and suppliers (Cameron & Quinn, 1999). Meanwhile, McShane and Glinow (2018) argue that a strong organizational culture has the potential to improve performance, and conversely, if the organizational culture is weak, it results in decreased performance. Thus, organizational culture will create stronger teamwork and encourage involvement in achieving goals so as to improve employee performance in achieving company goals (Pawirosumarto et al., 2017).

The results of this study are in line with the results of research conducted by Pawirosumarto et al. (2017), Bassem and Adel (2018), Wijaya et al. (2018), and Pujiono et al. (2020) which found a strong influence between organizational cultures on employee performance. The higher the applied organizational culture will affect positively and significantly the performance of employees. Empirically, Wijaya et al. (2018) finding that the impact of implementing organizational culture well, one of which is that it will motivate employees to establish good relationships with each other between employees in carrying out work in order to achieve company goals. This allows for the creation of strong collaboration or teamwork. Furthermore, Pujiono et al. (2020) explains that a well-developed organizational culture influences employee behavior and encourages employees to perform higher.

**The Role of Compensation as Moderation in Situational Leadership to Employee Performance**

Based on the results of the analysis of moderation tests using the type of continuous moderation relationship (Continuous moderating effect), it is known that compensation as a moderation variable has an insignificant influence in strengthening situational leadership relationships and employee performance. These results prove that there is a weak interaction effect between compensation variables and situational leadership in influencing employee performance. This fact shows that the application of compensation with the highest statement item score "employees feel comfortable at work", has not been able to strengthen the influence of situational leadership in improving employee performance. The item represents an indicator of the feasibility of the facility as part of non-financial compensation (Simamora, 2006).

The above hasil shows that employees feel comfortable in working at the company PT Midi Utama Indonesia Tbk. Palu Branch, but this comfort is not enough to strengthen the influence of situational leadership on improving employee performance. Furthermore, another fact explains that indirect financial compensation in the statement item "Provision of benefits
in the workplace in accordance with the performance provided", has the lowest average value perceived by employees compared to direct financial compensation as well as non-financial compensation. This can happen, possibly because employees who are at the middle level in conditions like this have expectations that not only direct financial compensation or maximized non-financial compensation but financial compensation that is not immediately can also be considered in improving employee performance. In line with this, this result does not support the expectancy theory of Vroom (1964) which says that employees will be motivated to make a high level of effort when they are confident that the effort will result in a good performance assessment, with such a good assessment the hope is that it will result in organizational awards such as bonuses, and increased employee benefits or promotions and in the end this award will satisfy personal goals of employees. Furthermore, the non-financial compensation in this case received by the employees is in accordance with the expectations of the employees even though in the future it still needs to be maximized, for example by providing appropriate holidays or leave.

Thus, the provision of adequate compensation is indispensable because once the employee is satisfied with the compensation offered, their motivation rises to a higher level, followed by an improvement in their performance (Handoko, 2008). The results of this study are in line with the results of a study conducted by Riyadi (2011), which showed that compensation did not have a significant effect on employee performance. Furthermore, based on the results of interviews with several respondents in the study conducted by Rizal et al. (2014) shows that they feel that the compensation received is not meeting expectations, not in accordance with the hard work that has been done in order to increase the Local Native Income. The basis for the calculation of employee compensation is complained about in this case because the perceived compensation calculation system is unfair by job title. In addition, the imbalance of the amount of compensation given is also a cause for employees to feel dissatisfied, this is supported by the results of Leonardo and Andreani’s research (2015) which shows that there is a more dominant relationship between financial compensation than non-financial compensation to improving employee performance.

The Role of Compensation as Moderation in Organizational Culture towards Employee Performance

Based on the results of the analysis of the moderation test using the type of continuous moderation relationship (Continuous moderating effect) it was found that compensation as a moderation variable has a positive and significant influence on the influence of organizational culture on employee performance. These results prove that there is a strong interaction effect on compensation variables in strengthening the influence of organizational culture on employee performance.

This means that if the compensation variable is of high value, it will have an impact on the level of influence of organizational culture on employee performance. As for the statement item that has the highest score on the compensation variable, namely, "employees feel comfortable at work". The item represents the feasibility of the facility as one of the indicators of non-financial compensation (Simamora, 2006). The result shows that employees feel comfortable in working at the company PT Midi Utama Indonesia Tbk. Palu Branch, this comfort helps employees to work together by upholding collaborativity in completing work.
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Therefore, in the end, this comfort has a significant effect in strengthening the influence of organizational culture in improving employee performance.

The results of this study indicate that compensation that emphasizes comfort through supporting facilities while working is able to act as a moderation that strengthens the influence of organizational culture on employee performance. The existence of this comfort when working will support and strengthen the application of a clan culture that emphasizes cohesion, collaboration and commitment in the form of teamwork so as to improve employee performance. Such a situation is able to encourage employees to achieve the goals of the company. This fact will in turn be in line with the opinion that organizational culture is the basis for all human resources in an organization in making plans or strategies and tactics to realize the best performance for the achievement of organizational goals (Robbins and Judge, 2018).

The results of this study are in line with the results of research conducted by Maharani and Efendi (2017) and Wijaya et al. (2018) which finds a strong influence between compensation and organizational culture on employee performance. Empirically, it is found that a well-developed organizational culture can influence employees to establish good relationships between colleagues in carrying out work in order to realize company goals (Wijaya et al., 2018). Then related to compensation explained that employees feel that the compensation given by the company is fairly able to encourage employees to maximize performance (Wijaya et al., 2018).

CONCLUSION

Research findings show that the application of organizational culture, as a system that directs individuals to achieve company goals, has been carried out optimally so as to be able to improve employee performance optimally. In addition, the application and implementation of compensation can also strengthen the relationship between organizational culture and employee performance. This shows that the implementation of compensation that is already underway can strengthen the influence of organizational culture on improving employee performance. Meanwhile, the implementation of situational leadership as the controller of the company has not been carried out optimally so that it is not able to improve employee performance optimally. Then the application and implementation of compensation also cannot strengthen the relationship between situational leadership and employee performance. This shows that the implementation of compensation that is already underway cannot strengthen the influence of situational leadership on improving employee performance. This proves that situational leadership activities are still seen as a burden that requires improvement according to needs based on the conditions and situations faced by the company.

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