The Influence of Transformational Leadership and Organizational Culture on the Performance of Employees of the Regional Public Company Service Unit (Perumda) Tirta Musi Palembang with Work Motivation as an Intervening Variable

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ABSTRACT

This study aims to determine the direct effect of transformational leadership and organizational culture on employee performance, the indirect effect of transformational leadership and organizational culture on employee performance through the work motivation of the Perumda Tirta Musi Palembang service unit. Respondents in this study were taken using a census. The total population for filling out the questionnaire was 305 respondents. The data analysis technique used is the Structural Equation Model (SEM). The results of this study indicate that transformational leadership has a direct positive effect on performance, organizational culture has a direct positive effect on performance, transformational leadership has a positive effect on work motivation, organizational culture has a positive effect on work motivation, work motivation has an effect on performance, transformational leadership has a positive effect on performance through motivation, organizational culture influences performance through motivation as an intervening variable. This proves that work motivation is a good intervening variable or intermediary variable for transformational leadership on performance, and organizational culture on performance. This means that transformational leadership affects the level of employee motivation so that it can affect employee performance so that it can improve performance.

INTRODUCTION

Human Resource Management can be defined as the management and utilization of resources available in employees. This management and utilization are developed to the maximum extent in the workplace to achieve the organization's goals and employee development (Musbayar & Ginanjar, 2019). Therefore, human resource management is one of the crucial factors in the success of a company. Managing human resources plays a significant role in influencing employees because leadership is the ability to influence a group towards achieving a vision or goals set by the company or organization (Robbins, 2018).

Perumda Tirta Musi Palembang is one of the Regional Public Enterprises (BUMD) providing Drinking Water Supply System (SPAM) services located in the South Sumatra Province at Jalan Rambutan Ujung No 1 Palembang. The transformation of PDAM Tirta Musi into Prumda Tirta Musi was...
agreed upon by the Palembang City DPRD and Mayor H. Harnojoyo during a plenary session held at the Palembang DPRD building on October 13, 2022 (Dian, 2023).

The Service Unit of Perumda Tirta Musi Palembang has the main task of providing services and managing the benefits of drinking water to the community. Perumda Tirta Musi Palembang’s activities include collecting, processing, clarifying, and distributing water to the public (Almuqsitu et al., 2019). As a public company, Perumda Tirta Musi Palembang is expected to provide optimal performance while maintaining the quality and quantity of water supply to its customers.

Employee performance can be influenced by various factors, including how leaders lead their employees. The success or failure of an organization or company is determined by leadership. Effective leadership can significantly impact a company’s progress. One of the fundamental issues faced by companies is how to improve employee performance. Good performance is optimal performance that meets organizational standards and supports the achievement of organizational goals (Jufrizen, 2018). Companies with good employee performance can improve overall company performance. One of the fundamental issues faced by companies is how to improve employee performance. Good performance is optimal performance that meets organizational standards and supports the achievement of organizational goals (Jufrizen, 2018).

A decrease in the quantity and quality of water from Perumda Tirta Musi Palembang has led to complaints from the public about the service performance of Perumda Tirta Musi Palembang. This is reported by intense.new (accessed on March 17, 2021), where the public complained about the suboptimal service provided by Perumda Tirta Musi Palembang regarding the quality of water, which is considered unclear and tends to be murky. Other complaints received by the Ombudsman, a public service supervisory body, include a lack of water supply in certain areas, making it difficult for residents to access water, and they hope that Perumda Tirta Musi Palembang will find a solution (Sonora.id, accessed on June 13, 2021).

The choice of the research location is based on the problems faced by Perumda Tirta Musi Palembang regarding transformational leadership, organizational culture, performance, and motivation at work. Performance issues can be seen from the operational aspect, where Perumda Tirta Musi Palembang employees have not been able to maintain water flow to prevent water loss due to pipe leaks. Additionally, services have not been fully effective, and many customers are dissatisfied with various aspects, including water quality. The following is the performance data of employees for the last 3 years, from 2019 to 2021, as seen from the reports of Perumda Tirta Musi Palembang:

Perumda Tirta Musi Palembang needs to make efforts to improve employee performance. Although this is a challenge for management, the company must continue to work on it. The success or failure of Perumda Tirta Musi Palembang in achieving its targets and goals depends greatly on the quality of human resources performance it possesses (Festiningtyas & Gilang, 2020).

Employee performance improvement is also influenced by employee work motivation. Employee performance is closely tied to motivation (Hasmalawati et al., 2018), as factors influencing performance include ability and motivation. Employee motivation has been a mystery to organizations, and organizational leaders must continually strive to understand how work motivation affects employee performance and how to use motivation to enhance performance and productivity. Work motivation is the willingness to exert high effort towards organizational goals, conditioned by the effort’s ability to satisfy an individual need (Ridho & Susanti, 2019). Employees with high work motivation towards organizational goals are crucial for organizational development.

Perumda Tirta Musi Palembang is perceived to be lacking in rewarding its employees, such as providing annual bonuses. Some employees feel dissatisfied with the annual bonuses they receive because they are deemed insufficient. Employees also feel that they lack positive motivation from their colleagues, such as when an employee lacks discipline at work, there is no reprimand or reminders from fellow employees. Insufficient bonuses, lack of leave, and limited attention from colleagues lead to decreased work motivation among employees, which is inconsistent with the motivation indicators.

The Service Unit of Perumda Tirta Musi Palembang should ideally have highly motivated employees to carry out their tasks effectively and efficiently, to improve the quality and productivity of the services provided to customers. Work motivation plays a vital role for both employees and leaders because high work motivation leads to enthusiastic work, ultimately resulting in high performance and supporting the efficient achievement of goals (Adha et al., 2019).
Work motivation is an internal drive that encourages individuals to produce outputs to achieve their goals. Employee motivation can have a significant impact on performance because when an employee has a strong desire to achieve organizational or company goals, they will strive to do their best for the company or organization. There are several studies supporting the relationship between work motivation and employee performance (Adha et al., 2019). Rewards for positive performance are one example of motivation that can be given to employees.

Rewarding employees for their performance is a policy issued by company leaders as an effort to motivate employees to improve their performance. Perumda Tirta Musi Palembang implements a reward system in the form of incentives for employees according to the policy rules outlined in Mayor’s Regulation Number 7 of 2018. This regulation states that if Perumda Tirta Musi Palembang obtains profits or net income, employees will receive incentives called production services. Perumda Tirta Musi Palembang’s profit is seen as the result of optimal employee performance, and to appreciate this, the government and Perumda Tirta Musi Palembang’s leadership provide incentives to employees when the company obtains a profit. The percentage of the production service is 20% of the net profit after taxes. This incentive is then distributed equally among all employees (Mayor’s Regulation, 2018). This can serve as motivation for employees to work better so that the company can achieve profits again in the following year.

Leaders use various methods to lead, and one of them is transformational leadership. According to Robbins (2018), transformational leaders inspire their followers to put aside their personal interests for the benefit of the organization and have an extraordinary influence on their followers.

METHODS

The type of data used in this research is qualitative data. Qualitative data are data that cannot be measured on a numerical scale. However, in statistics, all data must be in numerical form, so qualitative data are generally quantified to be processed further.

In this research, the data source comes from primary data.

a. Primary data refers to information obtained firsthand by the researcher related to the variables of interest for the specific purpose of the study. Primary data sources include individual respondents, focus groups, and the internet can also be a source of primary data if questionnaires are distributed online (Sekaran & Bougie, 2017).

b. Secondary data refers to information collected from existing sources. Secondary data sources include company records or documentation, websites, the internet, and so on (Sekaran & Bougie, 2017).

The data analysis method used in this research is Structural Equation Model (SEM) in modeling and hypothesis testing. SEM is a set of statistics that can test a relatively complex set of relationships simultaneously (Ferdinand, 2014). By using SEM, not only can causal relationships (both direct and indirect) between observed constructs be detected, but also the components contributing to the formation of those constructs can be determined.

RESULTS

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Endogenous Variables</th>
<th>Dimensions</th>
<th>Indicator</th>
<th>λ</th>
<th>Error = 1−λ²</th>
<th>CR=(∑λ)²/((∑λ)²+∑Error)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work motivation</td>
<td>MK01</td>
<td>0.52</td>
<td>0.73</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MK05</td>
<td>0.76</td>
<td>0.42</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MK06</td>
<td>0.71</td>
<td>0.49</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MK07</td>
<td>0.71</td>
<td>0.50</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MK08</td>
<td>0.78</td>
<td>0.39</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MK09</td>
<td>0.69</td>
<td>0.53</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MK11</td>
<td>0.76</td>
<td>0.44</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MK12</td>
<td>0.66</td>
<td>0.56</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

CR = 0.938
Based on information from Figure 4.5 and Table 4.12, it can be concluded that Model 3 CFA shows that there are no loading factors on the Endogenous Construct that have a value below 0.5. This shows that all indicators on the endogenous variables are valid. Apart from that, the Construct Reliability (CR) value of all Endogenous Constructs is above 0.7, so it can be concluded that all research dimensions and variables in the Full Model have good reliability.

**A. Structural Equation Modeling (SEM) analysis.**

The next stage is to carry out Structural Equation Modeling (SEM) analysis on the full model, where invalid indicators are not involved. Data analysis at the full model SEM stage involves testing model feasibility and statistical testing. In research using the SEM analysis method, there are several indices used to test the feasibility of the model, namely as follows:

**Table 2**  
*Goodness of Fit Index.*

<table>
<thead>
<tr>
<th>No</th>
<th>Goodness of Fit Index</th>
<th>Of</th>
<th>Mark</th>
<th>Cutoff Value</th>
<th>Criteria</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Chi-Square</td>
<td>6008.14</td>
<td>&lt; α.df</td>
<td>&lt; 0.05</td>
<td>Good Fit</td>
<td>Marginal Fit</td>
</tr>
<tr>
<td></td>
<td>Probability</td>
<td>0.000</td>
<td></td>
<td>0.01 – 0.05</td>
<td>Marginal fit</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>RMSEA</td>
<td>0.117</td>
<td>≥ 0.08</td>
<td>0.08 – 0.10</td>
<td>Good Fit</td>
<td>Good Fit</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>NFI</td>
<td>0.87</td>
<td>≥ 0.90</td>
<td>0.80 – 0.89</td>
<td>Good Fit</td>
<td>Marginal Fit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>NNFI</td>
<td>0.90</td>
<td>≥ 0.90</td>
<td>0.80 – 0.89</td>
<td>Good Fit</td>
<td>Good Fit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>CFI</td>
<td>0.90</td>
<td>≥ 0.90</td>
<td>0.80 – 0.89</td>
<td>Good Fit</td>
<td>Good Fit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>IFI</td>
<td>0.90</td>
<td>≥ 0.90</td>
<td>0.80 – 0.89</td>
<td>Good Fit</td>
<td>Good Fit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
By referring to the analysis results from Table 4.13, the overall model (Full Model) meets four good goodness of fit criteria, namely RMSEA, NNFI, CFI, and IFI. Apart from that, three other goodness of fit criteria were also met well, namely Chi-Square Probability, NFI, and RFI. Therefore, it can be concluded that the model as a whole (Full Model) has met the good goodness of fit criteria. Thus, all the resulting structural models are considered suitable and can be continued in subsequent analysis.

The estimation results for the full SEM model analysis based on the t-value are shown in Figure 1 below:

![Figure 1. Full Model Estimation Results based on t-value](image)

Based on Figure 4.6, it can be seen that the parameters in the Full Model, the variables Transformational Leadership (LK) and Organizational Culture on work motivation (MK) have a significant effect. Organizational Culture (BK) and work motivation on performance (K) have a significant effect (t-value greater than 1.96), except for the influence of Transformational Leadership (LK) on the performance (K) of Regional Public Company Service Unit (Perumda) employees Tirta Musi Palembang is not significant at the 0.05% level.

The estimation results for full model SEM analysis based on loading standards are shown in Figure 2 below:
Standardized Solution results above, the following structural equation is obtained.

**Sub-Structural Equations:**

MK = 0.37*LK + 0.52*BK

Based on the sub-structural model, it can be explained that work motivation is directly influenced by the employees' Transformational Leadership and Organizational Culture. This shows that Transformational Leadership has a positive effect of 0.37 on work motivation and Organizational Culture has a positive effect of 0.52 on the work motivation of employees of the Tirta Musi Palembang Regional Public Company Service Unit (Perumda). This means that employee organizational culture has a greater influence on work motivation for employees of the Regional Public Company Service Unit (Perumda) Tirta Musi Palembang.

**Structural Equation:**

SK = 0.34*MK + 0.04*KT + 0.27*BO

From the structural model above, it can be explained that performance in the Tirta Musi Palembang Regional Public Company Service Unit (Perumda) is directly influenced by three factors, namely work motivation, Transformational Leadership, and Organizational Culture. The influence of Transformational Leadership on the performance of the Tirta Musi Palembang Regional Public Company Service Unit (Perumda) is 0.04, while the influence of Organizational Culture is 0.27. In addition, employee work motivation has a greater influence on the performance of the Tirta Musi Palembang Regional Public Company (Perumda) Service Unit, namely 0.34, compared to the influence of Transformational Leadership and Organizational Culture on Tirta Musi Regional Public Company (Perumda) Service Unit employees. Palembang. Thus, employee work motivation is the factor that most influences performance at the Tirta Musi Palembang Regional Public Company Service Unit (Perumda).

**A. Direct and Indirect Influence Analysis**

Influence analysis aims to measure the strength of the relationship between one variable and other variables, both directly and indirectly. The results of this analysis have important meaning in determining strategies to improve performance at the Tirta Musi Palembang Regional Public Company Service Unit (Perumda). LISREL is used to calculate direct and indirect effects between variables, the calculation results are as follows:
a. Direct Influence

<table>
<thead>
<tr>
<th>Table 3</th>
<th>Direct Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational leadership</td>
<td>Organizational culture</td>
</tr>
<tr>
<td>Work motivation</td>
<td>0.37</td>
</tr>
<tr>
<td>Performance</td>
<td>0.04</td>
</tr>
</tbody>
</table>

Source: Results of Research Data Processing, 2023

Based on Table 3, information is obtained that the direct influence of Transformational Leadership on work motivation is 0.37, while the direct influence of Transformational Leadership on Performance in the Tirta Musi Palembang Regional Public Company Service Unit (Perumda) is 0.04. Apart from that, there is a direct influence of Organizational Culture on work motivation of 0.52, and a direct influence of Organizational Culture on Employee Performance of the Tirta Musi Palembang Regional Public Company Service Unit (Perumda) of 0.27. Apart from that, there is a direct influence of employee work motivation on performance in the Tirta Musi Palembang Regional Public Company Service Unit (Perumda) of 0.34.

b. Indirect Influence

<table>
<thead>
<tr>
<th>Table 4</th>
<th>Indirect Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational leadership</td>
<td>Organizational culture</td>
</tr>
<tr>
<td>Work motivation</td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>0.126</td>
</tr>
</tbody>
</table>

Source: Results of Research Data Processing, 2023

Based on Table 4, Transformational Leadership has a positive effect on performance through work motivation as an intervening variable of 0.126. Organizational culture has a positive effect on performance through work motivation as an intervening variable of 0.177.

1. Transformational Leadership on Performance

Hypothesis testing shows that the Transformational Leadership variable has a direct positive effect on the Performance of the Regional Public Company Service Unit (Perumda) Tirta Musi Palembang by 0.04.

In research by Kusuma & Rahardja, (2018); Rivai, (2020); Widayati & Rahardjo, (2017) stated that in carrying out a leadership role, leaders will be involved in more depth and influence. This results in changes within the organization which are reflected in the shared goals between subordinates and leaders. Influence in this context refers to an active relationship between subordinates and leaders that exists openly without coercion, and creates a reciprocal relationship. Thus, leadership builds relationships between leaders and subordinates, which in turn improves performance through reciprocal relationships between leaders and subordinates.

2. Organizational Culture on Performance

Hypothesis testing shows that the Organizational Culture variable has a direct positive effect on the Performance of the Regional Public Company Service Unit (Perumda) Tirta Musi Palembang by 0.27.

Research by Kusuma & Rahardja, (2018), Tirtayasa, (2019), Sari et al., (2012) revealed that organizational culture has an influence on employee performance. This organizational culture has the ability to form employee commitment to the company, as well as bind employees to their duties and functions within the company. Therefore, organizational culture has an impact on employee performance. Apart from that, this research also shows that the existence of a good organizational
culture can improve employee performance in a better direction. Overall, this research concludes that organizational culture has a positive and significant influence on employee performance.

3. Transformational Leadership on Work Motivation

Hypothesis testing shows that the Transformational Leadership variable has a direct positive effect on the work motivation of the Tirta Musi Palembang Regional Public Company Service Unit (Perumda) of 0.37.

Research conducted by Hadian (2018) and Saeed et al (2019), stated that the more effective transformational leadership is towards employees, the more an employee's motivation will increase. In other words, a work unit leader who has high charisma is able to strengthen employee motivation through inspirational influence and is able to stimulate employees' intellectual thinking. Apart from that, the leader also provides personal attention to employees which encourages and arouses enthusiasm, desire and internal motivation for employees to work. The higher the ability of work unit leaders to motivate and stimulate employees, the employee motivation will also increase.

4. Organizational Culture on Work Motivation

Hypothesis testing shows that the Organizational Culture variable has a direct positive effect on the work motivation of the Tirta Musi Palembang Regional Public Company Service Unit (Perumda) of 0.52.

According to Robbins (2018), teamwork factors have a dominant influence on employee work motivation. This can be explained that employees need mutual respect, mutual help and mutual trust in their work environment when carrying out their duties. A conducive social environment in the workplace turns out to have a significant impact on employee morale and motivation in the organization. If employees fit into the organizational culture of the company, this will increase their work motivation. Research in line with this was carried out by Giantari & Riana (2017), Megantara et al. (2019), and Sutoro (2020), who state that organizational culture has a positive effect on employee work motivation.

5. Work Motivation on Performance

Hypothesis testing shows that the work motivation variable has a direct positive effect on the performance of the Tirta Musi Palembang Regional Public Company Service Unit (Perumda) of 0.34.

According to research conducted by Susanto (2019), employees will be encouraged to do their jobs well if they have strong encouragement, whether it comes from within themselves or from outside themselves, such as encouragement provided by the company. Ultimately, this encouragement or stimulation will have an impact on good performance, and vice versa. Research conducted by Hendra (2020), Megantara et al. (2019), and Giantari & Riana (2017) show that there is a very strong positive influence between employee motivation and performance.

6. Transformational Leadership on Performance through Work Motivation as an Intervening Variable

Hypothesis testing shows that the Transformational Leadership variable has a positive effect on performance through work motivation as an intervening variable of 0.126.

According to Handoko (2018), motivation is an important element in the leadership process because leading means motivating. Leadership style includes a leader's ability to direct individual and organizational goals. Meanwhile, according to Robbins (2018), motivation is the willingness to make high efforts towards organizational goals based on individual needs.

In order to improve performance, a leadership style that can direct organizational goals with individual needs or aspects of the goals that individuals expect for their work can increase the motivation of their subordinates. Several studies show that transformational leadership can improve performance through work motivation, as found by Prayudi (2020) who stated that transformational leadership style has an indirect effect on employee performance through work motivation, Tucunan et al. (2018) who found that work motivation mediates the influence of transformational leadership style on employee performance, and Sujana & Ardana (2020) who found that transformational leadership style has a positive and significant effect on employee performance through motivation.

In this case, a leader has the ability to motivate and supervise his subordinates to achieve better performance standards in an effort to avoid work failure. Employees hope that a leader must have the ability to create or arouse the work enthusiasm of his subordinates, encourage his subordinates to have a strong commitment as an effort to achieve company goals.
7. Organizational Culture on Performance Through Work Motivation as an Intervening Variable

Hypothesis testing shows that organizational culture variables have a positive effect on performance through work motivation as an intervening variable of 0.177.

Organizational culture can be interpreted as a pattern of behavior and problem solving accepted by an organization, which shapes employees and makes them able to adapt to the environment and unite in an organization (Schein, 1992). Meanwhile, according to Hasibuan (2017), motivation is something that influences human behavior to work enthusiastically and actively in order to achieve optimal results. From the description above, it can be concluded that if the organizational culture accepted by an organization can influence specific things in the goals of working individuals, then this can increase the individual's motivation at work so that their performance will increase. Yusniar's research (2017) states that motivation can mediate the relationship between organizational culture and the performance of the North Aceh Regency Regional Secretariat apparatus.

CONCLUSION

Based on the research findings presented in the previous chapter, several conclusions can be drawn. Firstly, transformational leadership and organizational culture have a direct positive impact on the work motivation of employees at the Regional Public Company Service Unit (Perumda) Tirta Musi Palembang. Secondly, work motivation directly contributes to the improved performance of employees in the Regional Public Company Service Unit (Perumda) Tirta Musi Palembang. Thirdly, both work motivation and organizational culture have a direct positive influence on the performance of the Regional Public Company Service Unit (Perumda) Tirta Musi Palembang. Furthermore, the transformational leadership variable positively affects the performance of the Regional Public Company Service Unit (Perumda) Tirta Musi Palembang through work motivation as an intervening factor. Lastly, the employee organizational culture variable also positively impacts the performance of the Regional Public Company Service Unit (Perumda) Tirta Musi Palembang through work motivation as an intervening factor.

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