

# THE EFFECT OF LEARNING ORGANIZATION, LEADERSHIP STYLE AND ORGANIZATIONAL CULTURE ON ORGANIZATIONAL COMMITMENT AND ITS IMPACT ON EMPLOYEE PERFORMANCE IN ACEH FINANCIAL MANAGEMENT AGENCY, BANDA ACEH, INDONESIA

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**Abstract** - The purpose of study is to analyze the influence of learning organization, leadership style, and organizational culture on employee performance of the Aceh Financial Management Agency both directly and indirectly through organizational commitment as an intervening variable. The research that applied Structural Equation Model and Amos Software as the statistical tool for analyzing and processing data and used data random sampling technique selected 125 employees of the agency as respondents. The result of the research shows that learning organization, leadership style, organizational culture have a positive significant influence on employee performance either directly or indirectly through organizational commitment

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**Keywords** - Learning Organization, Leadership Style, Organizational Culture, Organizational Commitment and Employee Performance

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## I. INTRODUCTION

The organizational commitment of the employees of the Aceh Financial Management Agency is considered relatively strong; employees are attached on the mission and vision of the institution and they tend to be consistently bound in the line of agency activities. Amid rising financial compensation provided by the government, the increased commitment of employee organizations to public organizations including the Aceh Financial Management Agency became a dilemma. Civil servants who should work as state servants and public servants increasingly have a tendency to change the behavior of transactional work where the duties of employees must always be accompanied by a number of balanced financial services without any willingness to work. So if the compensation given is reduced or is not given in time, the employee tends to leave the responsibility or avoid the tasks that they think burdensome and time-consuming. These conditions will certainly have a negative impact on employee performance.

The commitment of the employee organization becomes an important part in making a valuable contribution to performance. This condition is caused by commitment can lead to citizenship behavior on employees. A good commitment will lead to employees' willingness to help others. In some studies, it is stated that organizational commitment relates to the ability of employees to adapt to an event that can not be ascertained previously. Then another benefit of organizational commitment is that employees with good commitment tend to have a better attendance record and even more employees tend to work harder and perform better (Ivancevich

et.al, 2015: 169).

In reality the development of government organizations in Aceh Province has created the activity and performance of employees who are better but effective in giving employees with good commitment of which it still seems to be in question. As a result, the Aceh Financial Management Agency needs to improve itself into a more modern and adaptive organization in addressing various forms of change including in improving the fundamental work attitude in the form of organizational commitment. This activity is one of them can be realized through organizational learning (Organizational learning).

Organizational learning is an organizational ability to apply appropriate management practices, structures, systems, and procedures that facilitate and trigger learning in the organization. This ability is a very strategic part of the organization, because with high learning ability the organization can adapt quickly to complex business environments (Goh and Richard (1997) in Zarkowi Reiza and Widiartanto (2013). Learning Organization (LO) is a prerequisite for the success of a change and organizational performance (Che Rose et al., 2009 in Uniati 2014). The lesson can improve the intellectual capability of the staff so that the organization gets better because it has staff who are constantly learning (Watkins and Marsick 1997) in Uniati (2014).

In addition to learning organizations, leadership style is also one of the factors that affect the performance of employees at the Aceh Financial Management Agency. The leadership process of the agency takes place along the organizational structure. With the organizational structure in the form of staff and line as applied in the Regulation of Governor of Aceh Number 101 Year 2016 so far, causing the authority

of Echelon Leader (Head of Section / Section) to arrange some employees who are under it. Leaders will provide direction, coordination and supervise both directly and indirectly over all activities undertaken by employees.

Leadership style is the norm of behavior used by a leader when the leader tries to influence others (Ardana et.al, 2012: 181). Leadership styles often have a positive or negative impact on the organization. Authoritarian leadership styles, democracy and both have the same effect on performance. However, leadership oriented towards the preparation and formation of work structures will achieve higher performance versus leadership behaviors that are oriented to consideration of ideas and feelings (Robbins and Coulter, 2010: 182). The style of charismatic leadership is seen as effective leadership and this leadership has a positive influence on individual performance (Kreitner and Kinichi, 2015: 327).

Then organizational culture is also one of the variables that influence the commitment and performance of employees. Aceh Financial Management Agency is a non profit organization that serves as a center of public service involving the State Civil Apparatus as a state servant and public servant. This condition makes the organizational culture at the Aceh Financial Management Agency very different from that of the regional organizations that are oriented to profit. These conditions have had a certain impact on organizational commitment and employee performance.

The organizational culture of the Aceh Financial Management Agency is a system of values developed within the organization and contributes to the behavior of apparatuses who make decisions in it. Organizational culture is a set of core values, beliefs, and attitudes that apply among members of the organization. Cultures that can adapt and encourage employee engagement can clarify organizational goals and direction (Darmawan, 2013: 143). Considering the phenomena above, the research is aimed at assessing the direct effect of learning organization, leadership style, and organizational culture on employee performance of the agency and indirect effect through its intervening variable, namely organizational commitment

## II. LITERATURE REVIEW

### 2.1 Employee Performance

Performance or performance of an employee is essentially the work of an employee over a certain period of time compared to various possibilities, such as standards, targets or other criteria that are determined in advance and have been mutually agreed (Soeprihanto, 2000 in Torang, 2013). At the same time Rivai (2014: 548) explains "performance is a function of motivation and ability is as follows. To accomplish a task or job, a person should have a

degree of willingness and a certain level of ability".

Employee performance according to Gibson et al (1996) in Trang (2013) is "a measure that can be used to define the comparisons of the results of the performance of tasks, the responsibilities afforded by the organization for a certain period". According to Armstrong and Baron (Wibowo, 2014: 7), performance is as follows: "Performance is the result of work that has a strong relationship with the organization's strategic goals, customer satisfaction and economic contribution. This means that performance is an implementation of the plan that has been prepared. How far the goal can be achieved reflects the work, or work performance".

Basically performance by Mathis and Jackson (2002: 78) in Diniaty and Mohammed (2014) is what work and what employees do not do. Employee performance affects how much they contribute to the organization.

### 2.2 Organizational Commitment

Wibowo (2014: 371) explains "commitment is a feeling of identification, loyalty and involvement shown by workers towards an organization or organizational unit". Then Luthans (2005) in Noor (2012) put forward as follows: "Organizational commitment is an attitude defined as a strong desire to remain as a member of a particular organization, a desire to strive according to the wishes of the organization, certain beliefs and acceptance of organizational values and goals".

According to Robbins and Timothy (2014: 140) employee commitment "is a situation where an employee sides with an organization and its goals, and intends to maintain membership within the organization." Then Rivai (2006: 248) in Princess (2014) describes the following: "Employee job commitments are a situation where an employee sides with a particular organization and its goals and intends to maintain its membership within the organization. So an employee's involvement in his work is not passively active."

Mathis and Jackson (2000) in Poerwaningrum and Frans (2016) define organizational commitment as "the degree to which employees believe and accept the goals of the organization and will remain or will not leave the organization". Kreitner and Kinicki (2014: 274) describes employee commitment as follows: "Employee commitment reflects how an individual identifies himself with the organization and is tied to its goals. Managers are advised to increase job satisfaction in order to gain a higher level of commitment. Furthermore, higher commitment can facilitate the realization of higher productivity".

### 2.3 Learning Organization

It refers to an ongoing process of performance development enhancing the ability to meet individual challenges within the organization. Organizational

learning processes can help to ease the challenges of individual work (Robbins and Timothy, 2014). Then Senge (1994) in Februaryanto et.al (2011) argues that "through the learning process (learning process) will be obtained continuous innovation about how good in doing a job. An organization in order to maintain its existence and do a good way".

In doing the work is through a learning organization. A learning organization is a process of organization members facing a problem or problem, identifying alternative solutions using values, norms, selecting and implementing one of the best alternatives, and evaluating the results.

Watkins and Marsick (2003) in Uniati (2014), views LO as an integrative system applied in the workplace and environment to support the learning process. Walker in Februaryanto et.al (2011) describes the following: "In a learning organization, members of the organization work in different ways than conventional organizations based on trust and joint efforts for common goals and good performance."

Learning organization is an effort that realizes the importance of training and development related to sustainable performance and willing to take appropriate action (Mondy, 2010: 211). The learner organization according to Uniati (2014) is as follows: "the behavior of every member of the organization concerning the availability of leadership that facilitates learning opportunities, the creation of curiosity and the desire to learn from each other, the creation of cooperation and teamwork, the creation of staff empowerment atmosphere to improve themselves, and the creation of organizational relations with its environment".

#### **2.4 Leadership Style**

It holds an important role in the management function, which can affect employees in the work so as to achieve organizational goals (Prayatna, 2016 in Setiawan and Ni Wayan (2016). The leadership style is the style or style of leadership brought by a leader in influencing his followers (Wursanto, 2005: 199) in Mandey and Vactor (2015).

Ardana et.al (2012: 181) describes the style of leadership is the pattern of behavior shown by the leader in influencing others. Then according to Hersey and Blanchard, (1995: 114) in Prayatna and Made (2016) one's leadership style is "the pattern of behavior that the person shows when affecting the activities of others as perceived by others."

Furthermore, Che Ngah et al., (2013) in Prayatna and Made (2016) describes "leadership style that is behavior pattern shown by leader in influencing others, leadership style can be different in various country especially in cultural aspect".

The style of leadership is the norm of behavior one uses when one tries to influence another as he sees (Thoha, 2010: 49). According to the contingency theory of Fiedler in Sujak (1990) in Riyadi (2011) describes successful leadership as follows:

"Successful leadership depends on applying a leader's style to the demands of the situation. Application of leadership style, in the process of adaptation to the situation can take a process: 1) understand the leadership style, 2) diagnose a situation, and 3) apply leadership style relevant to the demands of the situation".

#### **2.5 Organizational culture**

According to Robins and Timothy (2014: 721) describes organizational culture as "organizational culture refers to a shared system of meaning shared by members who distinguish the organization from other organizations". Then Darmawan (2013: 143) organizational culture is as follows: "a set of values, beliefs, and major attitudes that apply among members of the organization. A culture that can adapt and encourage employee engagement can clarify the organization's goals and direction. "

Then organizational culture according to Sobirin (2012: 131) is: "beliefs and values together that give meaning to members of the organization and make those beliefs and values as rules / codes behave within the organization".

Organizational culture is a pattern of trust, value, ritual, the myth of members of an organization, affecting the behavior of all individuals and groups within its organization (Harrison and Stokes 1992 in Trang (2013) .Luthans (2005) in Noor (2012) as follows: "the basic assumption patterns created or developed by a particular group as they adapt to external problems and internal integration that have worked reasonably well and are considered valuable, and are therefore taught to new members as the correct way to be aware, think , and feel the relationship with the problem. This is not independent of the existence of the company itself, in other words organizational culture that is woven in a company will give impact to employee job satisfaction that will ultimately give an increase in the performance of employees concerned".

### **III. RESEARCH METHODS**

#### **3.1 Population and Respondents**

The study was conducted at the Aceh Financial Management Agency. The object of research is learning organization, leadership style, organizational culture, organizational commitment and employee performance.

#### **3.2 Data Analysis Tools**

The technique and data analysis used in this research is SEM (Structural Equation Modeling), which is operated through AMOS program 16. SEM is a set of statistical techniques that enable testing of a series of relationships built between one or more dependent (endogenous) variables with one or more independent variables (exogenous), and those variables are constructed or constructed from several observed or

measured indicators directly (Muluyo, 2011: 1). According to Imam Ghozali (2008: 19), SEM is a combination of separate statistical methods of factor analysis and simultaneous equation modeling. The structure of SEM analysis model that can be designed in this study according to the model presented by Santoso (2014: 9).

#### IV. RESULTS AND DISCUSSIONS

##### The Influence of the Learning Organization on Organizational Commitment

The estimated value for testing the influence of organizational learning on organizational commitment shows CR value of 3.895 and with a probability of 0.000. Both values obtained are eligible for H1 acceptance, because its CR value of 3.895 is greater than 1.97 and a probability smaller than 0.05.

##### Effect of Leadership Style on Organizational Commitment

Estimated parameter values for testing the influence of leadership style on employees' organizational commitment show that CR value of 6,276 and its probability is 0.000. Both values obtained are eligible for H1 acceptance. This is considering the fact that its CR value is 6,276 which is greater than 1,97 and its probability smaller than 0,05.

##### The Influence of Organizational Culture on Organizational Commitment

Estimated parameter values for testing the influence of organizational culture on organizational commitment show CR value of 5,486 and with probability of 0.000. Both values obtained are eligible for H3 acceptance. This due to the CR value of 5,486 which is greater than 1,97 and its probability smaller than 0,05.

##### The Effect of Organizational Commitment on Employee Performance

Estimated parameter values for testing the effect of organizational commitment on employee performance showed CR value of 5.423 and with probability of 0.000. Both values obtained are eligible for H4 acceptance ie CR value of 5,423 which is greater than 1,97 and probability smaller than 0,05.

##### Influence of Learning Organization on Employee Performance

Estimated parameter values for testing the influence of learning organization on employee performance show CR value of 6,700 and with probability of 0.000. Both values obtained are eligible for the acceptance of H6 ie CR value of 6,700 which is greater than 1.97 and a probability smaller than 0.05.

##### Effect of Leadership Style on Employee Performance

Estimated parameter values for testing the influence of leadership style on employee performance showed CR value of 6,583 and with probability of 0.000. Both values obtained are eligible for H5 acceptance ie CR value of 6,583 which is greater than 1,97 and probability smaller than 0,05.

The Influence of Organizational Culture on Employee Performance Estimated parameter values for testing the influence of organizational culture on employee performance revealed that CR value of 5.018 and with a probability of 0.000. Both values obtained are eligible for H7 for acceptance because its CR value of 5.018 which is greater than 1.97 and a probability smaller than 0.05.

##### Indirect Influence Leadership Style, Organizational Learning and Organizational Culture on the Performance of Aceh Financial Management Agency Through its Organizational Commitment

The direct influence of organizational learning variable on organizational commitment is 0.814. While the influence of organizational learning gives effect to employee performance when through organizational commitment variable is 0,255. This means that if one wantsto improve employee performance at the agency it is better off to develop the potential of existing resources, rather than having to recruit new human resources.

The direct influence of leadership style variables on organizational commitment is 0.307. While the influence of leadership style on employee performance when through organizational commitment variable is 0,503. This means that if one wants to improve the performance of employees, it would be betteroff to improve the leadership style of which is mainly related to the leadership whose capability e to provide ideas for career development and performance improvement. Such improvements could be in the form of leaders that always listen attentively, and give special attention to subordinates. The direct influence of organizational culture variable on organizational commitment is 0.195. While the influence of work organization culture on employee performance when through organizational commitment variable is 0.582. This means that if one wants to improve the performance of employees, it will be more advantage of improving organizational culture, in order to increase organizational commitment and improvement performance of employees.

#### CONCLUSIONS AND RECOMMENDATIONS

1. The descriptive survey indicated that Organizational learning, leadership style, organizational culture, employee performance and performance of Aceh's Financial Management Agency have been running relatively well lately
2. The outcome of causal relationship research also revealed that learning organization, leadership style and organizational culture have a positively significant direct influence on employee performance both simultaneously and partially. It also has an indirect effect through organizational commitment as an intervening variable.

##### Recommendations

1. With regard to leadership style issues in order to

improve employee performance and organizational performance based on learning organizational perspective, what needs to be done is the leadership or agency empowering employees through education and training programs and development of graduate education.

2. In order to improve the performance of the Agency based on the perspective of the leadership style, the leadership needs to do is to conduct mutual communication and continuous relationships with subordinates, in order to increase the commitment of employee organization and employee performance.

3. In the perspective of increasing organizational commitment and employee performance based on organizational culture, what needs to be done by the leadership of this organization is to apply modern work system, so as to increase the commitment of employee organization.

4. Meanwhile, in increasing the commitment of the employees of the Aceh Revenue and Wealth Service as a whole, the thing to note is the ability of all employees to improve the quality of work produced by employees, so as to meet the targets set by the leadership.

5. As for improving the performance of the Aceh Financial Management Agency, it is important to ensure that the implementation of service activities is in accordance with established procedures or not, so

that the work can run smoothly.

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