

# The Effect of Servant Leadership on Employee Performance with Organizational Culture and Work Involvement as the Mediators

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## Abstract

*This research aims to empirically examine the organizational behavior theory illustrated in the research model by testing the effect of servant leadership on employee performance with organizational culture and work involvement as the mediating variables. This research is quantitative research because it analyzes sample data with inductive statistics and descriptive statistics generalized to conclusions about the population. Samples were from 17 different regions/areas in South Sulawesi. The populations were divided into large sampling units or clusters, and then sample calculations were conducted in each area/cluster based on the predetermined samples of 249 employees from 25 Cooperatives based on the area (area-based sampling). The research conclusions are as follows: the five research hypotheses are accepted because the p-value is <0.05. It indicates that servant leadership has a direct effect on employee performance. The higher servant leadership is, the higher employee performance will be. Some differences (originality) of this research from previous studies are: assessing the effect of the Leadership variable on Organizational Culture, Work involvement, and Employee Performance, Servant Leadership is an appropriate leadership style for cooperatives, and Leadership styles (transformational, transactional, and laissez-faire) in cooperatives have been studied, but research on the Servant Leadership Style related to cooperatives employee performance is still limited.*

**Keywords** *Servant Leadership, Employee Performance, Organizational Culture, Work Involvement*

## 1. Background

Good, growing, and developing organizations will focus on human resources to carry out their functions optimally, especially in facing the occurring environmental changes dynamics. Thus, the technical, theoretical, conceptual, and moral capabilities of organizational actors at all work levels are urgently needed. One of the organizations for human resources is cooperatives. Within Indonesia history, business units in the form of cooperatives were proposed by Bung Hatta as a form of the people economic unit based on his observations on the socio-economic structure in the Dutch colonial era which was then stipulated in Article 33 of the 1945 Constitution.

Cooperatives are formed based on the interests and agreement of its members and particularly aimed to improve the members' welfare. The incentive contribution system is very relevant in cooperatives. The system can guarantee the existence of cooperatives and stimulate members to actively participate (Subandi, 2008).

As can be seen textually in article 1 of Law No. 25 Year 1992 concerning Cooperatives, cooperatives shall be business entities whose membership is composed of an individual/individuals or cooperatives and which bases its activities on the principle of cooperatives and acts as a people economic movement based on familial principles. In general, the definition illustrates that cooperatives are a form of people economic movement. The uniqueness of cooperatives as the people economic movement is the activities are based on familial principles. It means that Indonesian cooperatives have two keywords, people economy and familial principles (Mulawarman, 2007). According to

Buse and Hembelger in Anoraga (2002), cooperatives are basically economic institutions, even though they have social responsibility and mission. Furthermore, Rachbini (1988) states that cooperatives as economic institutions should implement good business and management principles in their management.

Without implementing this principle, cooperatives will be difficult to compete with other economic organizations and have no advantage. Furthermore, their contribution will be doubtful for aggregate economic development. Some factors cooperatives need to be considered in their business management activities include technological development, innovation and marketing activities, procurement of production factors, and the development of entrepreneurial spirit for managers.

Actually, small enterprises and cooperatives are not merely business entities, but manifestations of economic ideology on the basis of self-help, self-responsibility, equality, equity, and solidarity values. All members of good cooperatives will believe in the ethical values of honesty, openness, social responsibility, and caring for others (Puskowanjati, 2009). Without implementing this principle, cooperatives will be difficult to compete with other economic organizations and have no advantage. Furthermore, their contribution will be doubtful for aggregate economic development. Some factors cooperatives need to be considered in their business management activities include technological development, innovation and marketing activities, procurement of production factors, the development of entrepreneurial spirit for managers, and employee quality improvement.

The community has felt the role and benefits of cooperatives in Indonesia, although with a different degree and intensity. At least there are three benefits of cooperatives for the community: First, cooperatives are seen as institutions that undertake certain business activities and those business activities are needed by the community. The intended business activities can be in the form of financial need or credit services, marketing activities, or other activities. Second, cooperatives have become an alternative for other business institutions. In this condition, the community has felt that the benefits and role of cooperatives are better than other institutions. Third, cooperatives become organizations owned by their members. This sense of belonging is considered to be the main factor causing cooperatives to be able to survive in various difficult conditions, i.e. by relying on member loyalty and willingness to jointly deal with these difficulties (Santosa, 2011). When the market economy deteriorates which results in massive unemployment and poverty in this country, cooperatives have emerged as saviors for those marginalized from the capitalistic economy. Today, cooperatives have become a source of livelihood for 91.25 million people mostly in rural areas, while large businesses only absorb 2.52 million people (Nasution in Izzati 2011).

To motivate cooperatives to function as economic institutions able to increase the income of members and the community, the government through the Ministry of Cooperative and Small and Medium Enterprises of the Republic of Indonesia assesses the achievements of Cooperatives in a certain period of time. Outstanding Cooperative is a Cooperative with outstanding achievements in accomplishing its performance based on the organizational aspect, the governance and management aspects, the productivity aspect, and the benefits and impacts aspects as determined by the Decree of the State Minister of Cooperatives and Small and Medium Enterprises (Regulation of the Minister of Cooperatives and SMEs of the Republic of Indonesia No. 06/Per/M.KUKM/V/2006).

The organizational aspect emphasizes the repayment of the members' main savings and principle savings. In addition, the Annual Meeting of Members (*Rapat Anggota Tahunan*, RAT) must be held in a timely manner with a quorum pursuant to provisions in the Article of Association (*Anggaran Dasar*, AD) and Bylaws (*Anggaran Rumah Tangga*, ART). The programs and the cooperatives budget plans must also be ratified and conducted in the current year. Increased ratio of members' number, education, training,

budget availability, and internal and external audits are included in the organizational aspect.

In the governance and management aspects, outstanding cooperatives will be assessed from the ratio of members' registration, the budget realization, and the surplus realization. In addition, the guidance implementation, the media information availability, and office facilities and cooperative business are assessed as well. The productivity aspect includes the assessment of financial ratios which consist of profitability, ROA (Return on Assets), ATO (Asset Turn Over), NPM (Net Profit Margin), Current Ratio, debt to asset ratio, debt to equity ratio, receivable turnover, and transactions between cooperative business and member businesses. The benefits and impacts aspects are the assessment of cooperative partnership with similar cooperatives and other business entities and the benefits obtained from the partnership by considering employed labor, tax compliance, and social fund's availability. All these aspects are assessed based on predetermined weights and scores. From the sum of these values, the highest score will be awarded as an outstanding cooperative in the order of highest to lowest values.

In South Sulawesi Province, Cooperatives and MSMEs contributed 53.04% (469,950 trillion IDR) of South Sulawesi's GRDP (884,143 trillion IDR) (CBS, 2011). The contribution of cooperatives business and labor absorption become the real role in solving local economic problems.

Service is the essence of servant leadership and has important moral teachings (Greenleaf, 1977). Like other organizations, cooperatives are also never separated from the service element. Murphy and Peck in Partadiredja (1995) state that one of the keys to the success of cooperatives is management. Managers must make efforts to achieve success so that they become outstanding cooperatives. Some ways to attain achievement include a willingness to work hard, cooperate with others, and good at decision making. In addition, all cooperative components must have the willingness and ability to work together to develop their community based on sound moral and business ethics, while according to Laub (1999) servant leadership is the behavior of leaders who respect and empower others and their environment and as a place of sharing. Hence, servant leadership is the appropriate leadership style for cooperatives to achieve success.

Success becomes the pride of the Telkomsel employees' cooperative (myKISEL) because it is able to encourage intrapreneurship and investmentship in the cooperative's members and employees. Such mental attitude will encourage positive behavior, contribute to form a good organizational culture, and ultimately will improve its employee performance (Hartopo, 2006). The existence of cooperatives depends on the cooperatives human resource management, so many ways can be done to improve human resources. Telkomsel Cooperative management implements human resource policies through: (1) improvement of HR competency and performance by regularly evaluating employee performance followed up by rewarding employees considered to have good performance, (2) organizational effectiveness improvement by establishing an organizational structure in 2008 with follow-up of continuous structure evaluation and periodic monitoring evaluation, and (3) employee welfare improvement by taking into account the company's ability. Employee competency and performance are the main factors considered by the company (the cooperative) in increasing employee remuneration (Work and Budget Plan of Telkomsel Cooperative, 2009).

Subyakto (1996) regards a very basic obstacle in cooperatives is the human resources problem. The position and role of cooperative human resources are very important because: (1) cooperatives are economic organizations that normatively position humans as important factors compared to other factors, (2) the fact that cooperatives face low-quality management problems as a result of the low quality of human resources. Subandi (2008) adds that the non-conducive climate for cooperatives business that affects cooperative productivity is also related to the low quality of human resources. It is necessary to pay

attention to the conditions of human resources of cooperatives, micro enterprises, and small enterprises in terms of their experience, knowledge, and education. Observations on cooperatives in Tasikmalaya (Suhartoyo in Subandi, 2008) showed that the average experience of cooperative managers in the field of business they operate in is relatively good, but the education and knowledge aspects concerning innovation in production and technology development as well as in the business management and marketing are relatively low. Frances and Cohen (1999) emphasize that for organizational progress, it is necessary to have someone with the ability as an organization leader able to encourage and support employees, to get people to want to change, to improve, and to be led, including assessing employees' motives, satisfying their needs, and valuing them.

Njotoprajitno (2011) states that cooperative development should be carried out from the leadership sector in which leaders need to be selected, trained, and developed to be visionary, have alertness and response capacity, and be able to harmonize, motivate and empower managers, employees and members of cooperatives. Good leadership will be able to influence and support the development of cooperative human resource competencies. Considering the importance of cooperatives in protecting and supporting people's lives, it is hoped that cooperative development efforts are able to maintain the existence of cooperatives, be trusted by the community, benefit the community, grow strong, and have high competitiveness.

Related to the low quality of cooperative human resources, the role of leadership is needed to find out the factors that encourage individuals behavior to realize their desires and needs in achieving goals by joining cooperatives (social need), getting rewards (psychological need), feeling safe (safety need), getting recognition (esteem need), or even getting achievement (self-actualization) as stated by Maslow (1954). The emergence of these needs encourages a person to work and one motivation determinant is leadership (Mehta et al., 2003). Besides, the relationship between leadership and motivation is also influenced by culture (Hofstede, 1980). Cooperatives also require the presence of leaders who are able to serve members and employees according to cooperative principles. Thus, servant leadership is expected to be able to increase employee motivation.

Peace, serenity, beauty, trust, harmony, all of which describe the leadership in the organization also illustrates the existing culture in the organization. So, it can be concluded that the leadership of an organization is the same as the existing culture in the organization, just like two sides of the same coin (Schein, 1991). Continuously applied organizational culture in cooperatives is also a basic human characteristic as a general characteristic of work culture in Indonesia. According to Setyadi (2005), a work culture unable to accommodate conflicts in cooperatives will be able to stimulate productive work process.

Similar to transformational leadership, servant leadership is a theory development concept of charismatic leadership (Graham, 1991) but according to Bass (2000) servant leadership has great promise for theoretical development. Transformational leadership is different from servant leadership (Patterson, 2003). Although they are almost similar in theory, transformational leadership and servant leadership have different constructs (Smith et al., 2004). Regarding cooperatives, servant leadership will further accelerate the success of cooperatives because servant leaders prepare themselves as servants, while the role of transformational leaders is only as an employee motivator. At the organizational level, servant leaders are better prepared to serve their communities, while transformational leaders as the motivator will encourage the achievement of organizational goals (Barbuto and Wheeler, 2006). Thus, in outstanding cooperatives, a servant leader will be more noticeable and influential than a transformational leader.

Avolio *et al* (1996), stated that employee performance is influenced by a high level of transformational leadership and a lower level of transactional leadership, but Hayward's (2005) results showed that transformational leadership in parastatal organizations has no

significant effect on employee performance and there is a negative relationship between transformational leadership and employee performance.

From an organizational perspective, work involvement is defined as a positive subject that has an impact on all organizational and employee performance. A state of involvement implies a positive and complete engagement of core aspects of the self in the job, whereas a state of alienation implies a loss of individuality and separation of the self from the work environment (Kanungo, 1982). Clark's (2000) study proved that there is a positive relationship between motivation and work involvement, as well as Hensey (1987) proving that the effectiveness of training programs affects employees who experience a decrease in work involvement. Hsu (2012) demonstrated that intrinsic motivation and self-determination are the mediators in the relationship between employee-job suitability and work involvement. Hsu's (2012) research results were able to fill in the appropriate literature gaps about work involvement which was seen as potential work, while Mohsan's (2011) study proved a weak relationship between employee motivation, employee commitment, and work involvement. In line with these conditions, there are indications that manager and employee motivation might influence individual performance in cooperatives.

If the organizational culture has to change, the first thing an employee must do is s/he must learn to modify the old culture so that it can affect his/her performance. Ojo's (2009) research confirmed that organizational culture is very important for each organization and has a positive effect on employee performance. In addition, organizational culture has a positive impact on organizational productivity. Koesmono's (2006) research showed that organizational culture influences performance.

Several previous studies found the influence of work involvement on OCB in Greek service organizations (Dimitriades, 2007) and on the teachers consisted of lecturers, assistant professors, chief lecturers, and professors in Lahore (Chughtai, 2008). However, research finding concerning a significant influence of work involvement on employee performance has met limited success (Brown, 1996; Diefendorff et al., 2002). Brown's (1996) meta-analysis estimated the relationship between overall performance and work involvement to be non-significant. Although the results are not significant due to quite small coefficient, Brown and Leigh (1996) suggested that the reason for this weak relationship maybe that instead of exerting a direct influence, work involvement is more likely to affect performance indirectly through other variables like effort. The research limitations were (1) data were collected by prepared sampling, so results must be interpreted very carefully to avoid generalizations, (2) there were limitations in making statements on each hypothesis due to cross-sectional data. The quasi-experimental design might help the researchers to identify the natural relationship of the variables in the model. Alternatively, long-term research could compensate for the limitations of cross-sectional research, (3) the preliminary status of the proposed theoretical model. The subsequent study is suggested to review alternative variables that affect customer-oriented OCB, for example, COSE (customer-oriented service orientation), personal contact, psychological empowerment, service practices, organizational culture, customer satisfaction, loyalty, and commitment.

Rotenberry's (2007) study showed a positive and significant relationship between work involvement and performance, but Diefendorff et al. (2002) proposed a weak relationship between work involvement and performance. The limitations of Rotenberry's (2007) study were: (1) difficulty predicting the attitudes of large company employees as the respondents, (2) assessment time of 4.25 – 7.25 months turned out to last longer. Cohen's (1999) research showed no strong relationship between work involvement and employee performance. Likewise, Cohen's (2000) further research confirmed that work involvement has a negative effect on the employee performance of Israeli Jews, but has a

positive effect on the employee performance of Israeli Arabs. Based on previous research, there is a relationship between work involvement and employee performance.

Some differences (originality) of this research from previous studies are: (1) Assessing the effect of the Leadership variable on Organizational Culture, Work involvement, and Employee Performance based on previous research models and supporting theories. (2) Servant Leadership is an appropriate leadership style for cooperatives. This theory is still weak, so the researchers conduct empirical testing. (3) Leadership styles (transformational, transactional, and laissez-faire) in cooperatives have been studied, but research on the Servant Leadership Style related to cooperatives employee performance is still limited. Therefore, the researchers conduct more comprehensive research on servant leadership and cooperatives employee performance.

Based on the aforementioned explanations, the researchers conduct this research because: (1) Outstanding Cooperative or a Cooperative with outstanding achievements in accomplishing its performance based on the assessment in the Decree of the State Minister of Cooperatives and Small and Medium Enterprises No. 06/Per/M.KUKM/V/2006 can provide feedback and encouragement for leaders and employees of other cooperatives to be able to work better for members and the community. (2) Human resources become a problem (Subyakto, 1996), while the position and role of cooperative human resources are very important because: (1) cooperatives are economic organizations that normatively position humans as important factors compared to other factors, (2) the fact that cooperatives face low-quality management problems as a result of the low quality of human resources. Thus, it is necessary to examine the variables of Servant Leadership, Organizational Culture, Work Involvement, and Employee Performance. (3) Could contribute a real thinking for cooperatives so they can implement Servant Leadership to better support and serve the employees and members compliant with cooperatives principles.

In accordance with the background above, this research aims to empirically examine the organizational behavior theory illustrated in the research model by testing the effect of servant leadership on employee performance with organizational culture and work involvement as the mediating variables.

## 2. Conceptual Framework

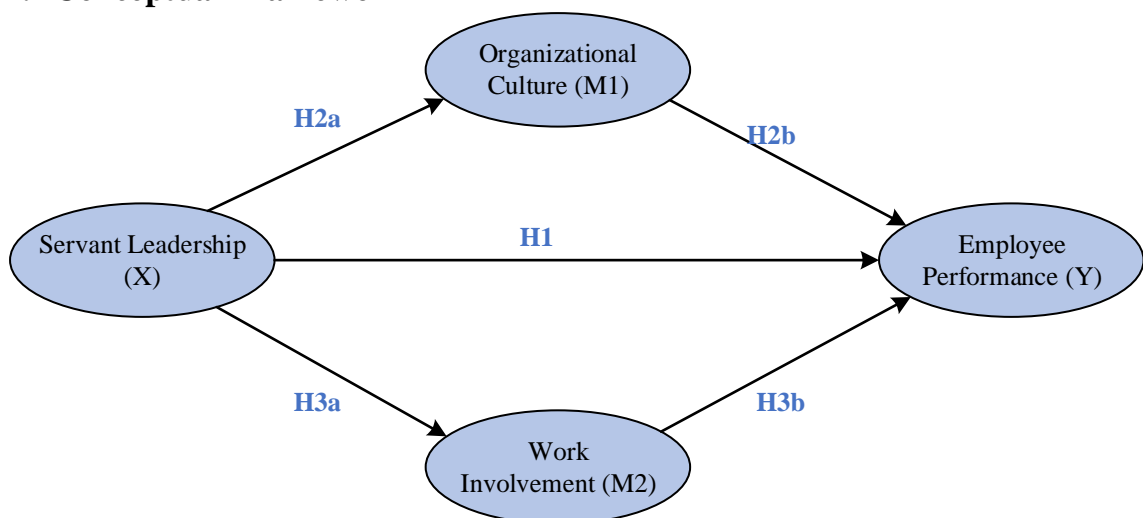


Figure 1. Research Conceptual Framework

The model in figure 1 is the development of several previous research relationships by investigating various research limitations and inserting the servant leadership variable so as to create new relationships as this research contribution.

According to Hall *et al*(1996), organizational leadership is leadership within the organization and has the direct and indirect effect on employee performance. The role of organizational leadership supports the competency process, which consists of collaboration, commitment, and creativity. Hall *et al*(1996) also emphasizes that an organization leader will be able to create conditions as the character basis so they are able to encourage and support employee competencies which ultimately promote the employees' best performance. The leader is the person who leads the organization and strives to put the organization in a better competitive movement so that the employee performance is in accordance with the change demands. **Hypothesis 1: Servant Leadership has a significant effect on Employee Performance.**

Sabir *et al.*'s (2011) research suggested that the leadership style is a strong dimension of organization commitment when organizational culture represents employee values in the organization. Employees are more satisfied if the organization could meet their expectations which are the part of organizational culture, so they are more committed with the organization. It is suggested to replace transactional leadership with Servant Leadership. **Hypothesis 2a: Servant leadership has a significant effect on Organizational Culture.**

Koesmono's (2005) research showed that organizational culture influences employee performance of wood processing plants in South Sulawesi. **Hypothesis 2b: Organizational Culture has a significant effect on Employee Performance.**

Agarwal *et al.* (1999) found that consideration behavior (as the main component of servant leadership) has a positive relationship with organizational commitment. However, regression analysis showed there is an insignificant relationship between servant leadership and organizational commitment. **Hypothesis 3a: Servant leadership has a significant effect on Organizational Commitment.**

According to Lawler (1986), work involvement is an important factor that influences employee performance and organizational outcomes, while Blau and Boal (1987) state that work involvement is an important factor in the lives of most people. Borman and Motowidlo (1997) define job performance as activities associated with the employee formal roles. Rotenberry (2007) proved the influence of work involvement on performance, OCB, and work centrality. According to Meyer *et al.* (1977) asserted the theoretical argument about the relationship between organizational commitment and work involvement by stating that employees with internalized values and match feeling would be loyal to the organization. In addition, Mowday (1998) stated that committed employees would benefit the company because of its potential capability, reduced turnover, and increased job performance. **Hypothesis 3b: Work Involvement has a significant effect on Employee Performance.**

### 3. Research Methods

This research is designed to answer the formulated problems, achieve the objectives, and test the hypotheses. This research is quantitative research because it analyzes sample data with inductive statistics and descriptive statistics generalized to conclusions about the population (Solimun and Fernandes 2018). Data were cross-sectional data collected from respondents in answering the indicators related to Servant Leadership, Organizational Culture, Work Involvement, and Employee Performance variables.

Location determination in South Sulawesi Province was based on several reasons, *i.e.*: (1) South Sulawesi Province has been selected as the Cooperative Drivers Province by the Minister of Cooperatives and MSMEs (Regulation of the Minister of Cooperatives

and SMEs of the Republic of Indonesia No. 07/Per/M.KUKM/V2010), (2) South Sulawesi has programs and facilities to improve business competitiveness and empowerment of Cooperatives and MSMEs (Muttaqien, 2011), and (3) Representation as a Cooperatives Province due to the highest number of cooperatives (29,145 units) and MSMEs (4.2 million units) in East Indonesia (CBS, 2011). The research lasted for 2 (two) months in August and September 2017 with the following details of time: Within 2 (two) weeks of the first month, the researchers looked for initial information on the location of the Outstanding Cooperatives in 5 (five) regional coordinators (*Koordinator Wilayah*, Korwil) in the City/Regency which became the research object and in the 3<sup>rd</sup> (third) and 4<sup>th</sup> (fourth) weeks of the same month, the researchers distributed the questionnaire to the respondents. In the 2<sup>nd</sup> (second) week of the second month, the researchers collected the questionnaire and conducted in-depth interviews with the respondents and the relevant agency officials in the selected City/Regency. Finally, the researchers performed data processing.

The populations in this research were all employees of the Outstanding Cooperatives in South Sulawesi Province. In accordance with the research objectives of analyzing and explaining Servant Leadership as the factors influencing Organizational Culture, Work Involvement, and Employee Performance, all employees of Outstanding Cooperatives in South Sulawesi Province were selected as the populations because they had information and authority in explaining the research variable data.

Employees of Outstanding Cooperatives in South Sulawesi Province were chosen as the research subjects with consideration of (1) employees were authorized to explain issues related to research variables and (2) employees were the organization driving force and dealt directly with members, consumers, and the surrounding community. Employee interaction with internal and external parties supporting their performance became the representation of the cooperatives success which had been formally and objectively assessed based on the organizational aspect, the governance and management aspects, the productivity aspect, and the benefits and impacts aspects as determined by Regulation of the Minister of Cooperatives and SMEs of the Republic of Indonesia No. 06/Per/M.KUKM/V/2006 concerning Assessment Guidelines for Outstanding Cooperatives/Cooperatives Award.

Samples were from 17 different regions/areas in South Sulawesi. Considering the vast area of South Sulawesi, the sampling technique was adjusted to the regions/areas, so that the sampling was based on the predetermined population area. Solimun (2017) states area sampling or cluster sampling is a sampling technique based on the area. Area sampling technique is used to determine the sample if the object to be studied or the data source is very wide-ranging. In this research, the area referred to the whole Regency/City in South Sulawesi. Calculations in this area sampling used the following techniques: the populations were divided into large sampling units or clusters, and then sample calculations were conducted in each area/cluster based on the predetermined samples of 249 employees from 25 Cooperatives based on the area (area-based sampling).

Inferential statistical analysis focuses on the data analysis and interpretation to draw conclusions. This analysis is used to test the research hypothesis using sample data. Inferential statistical method used as the data analysis in this research was Structural Equation Modeling (SEM). SEM was chosen because the causal relationship formulated in this research used a complex model. This relationship requires analysis able to explain the simultaneously causal relationship and SEM is the appropriate method (Solimun, 2017).

#### **4. Research Results and Discussion**

Before the model interpretation, the goodness of fit model was tested first. The goodness of Fit Overall test results show that 2 (two) criteria i.e. CMIN/DF of 1.67 and



RMSEA of 0.03 indicate a good model. According to Arbuckle and Wothke in Solimun and Fernandes(2009), the best criteria used to indicate the model goodness is the Chi-Square/DF value of less than 2 and RMSEA of below 0.08. In this research, the values of CMIN/DF and RMSEA has met the cut-off value, so the SEM model in this research is suitable and feasible for use, so as to conduct the interpretation for further discussion.

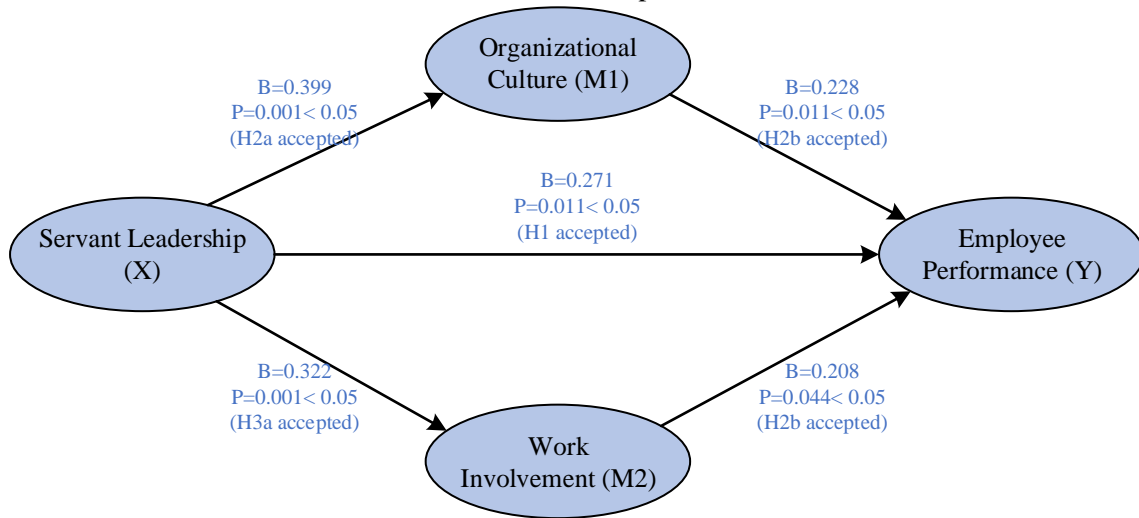


Figure 2. Analysis Result

#### 4.1.Effect of Servant Leadership on Employee Performance

The Structural Equation Model analysis results show that the hypothesis which states Servant Leadership has a significant effect on Employee Performance is accepted. It means that Servant Leadership has a positive influence on Employee Performance. The direct effect of Servant Leadership on Employee Performance has a coefficient value of 0.271 and a p-value of 0.011. The analysis results of the p-value  $< 5\%$  indicate a positive and significant effect. It means that increased Servant Leadership has a significant effect on improved Employee Performance. The higher the Servant Leadership (X1) value is, the higher the Employee Performance value will be. This finding **supports** Hall's *et al* (1996) statement that organizational leadership directly or indirectly affects employee performance. The role of the leader will support the employee's competency and creativity process which ultimately promotes the best employee performance. This result **extends** Cohen's (1999) statement that transformational leadership is the ability to get people to want to change, to improve, and to be led, including assessing employees' motives, satisfying their needs, and valuing them. Thus, transformational leadership can improve employee and corporate performance and achieve better corporate objectives. This finding also **extends** Hayward's (2005) research who found that there is a significant relationship between Employee Performance, Leadership, and Emotional Intelligence in the South African parastatal companies.

In Outstanding Cooperatives, Servant Leadership is the variable with the strongest direct effect on Employee Performance. Associated with the age characteristics of respondents, the highest value (43.37%) was a mature age group which could objectively assess a person's leadership behavior, tend to progress, and have high performance. This condition occurs in Outstanding Cooperatives

because of the dominant role of Cooperatives Managers as the driver of business activities and the role models as well as the trust factors which enable the managers to stimulate employee empathy. This condition facilitates the Managers to run their programs. Program success is strongly supported by Employee Performance, while high Employee Performance will accelerate the award achievement as an Outstanding Cooperative.

#### **4.2. Effects of Servant Leadership on Organizational Culture**

The Structural Equation Model analysis results show that the hypothesis which states Servant Leadership has a significant effect on Organizational Culture is accepted. It means that Servant Leadership has a positive influence on Organizational Culture. The direct effect of Servant Leadership on Organizational Culture has a coefficient value of 0.399 and a p-value of 0.001. The analysis results of the p-value <5% indicate a positive and significant effect. It means that increased Servant Leadership has a significant effect on improved Organizational Culture. The better Servant Leadership (X1) is, the better Organizational Culture will be.

This research **supports** and empirically proves Russel and Stone's (2002) model that organizational culture and employee attitudes may influence the effectiveness of Servant Leadership and vice versa. If "service" is carried out continuously and internalized in groups, it will be an agreed value able to direct employee behavior. The effect of Servant Leadership on Organizational Culture also related to organizational development and change as well as employees' activities, education, and training so that employees have cultural values that are strong, adaptive, and in accordance with the demands of the business world. This research also **supports** the theory of Organizational Culture as the normative glue (Tichy, 1982) that Culture has a very strategic role to encourage and improve organizational effectiveness, depending on the leaders.

This research **extends** Sabir et al.'s (2011) research which states that leadership styles are able to develop various attitudes and behaviors that lead to the organizational culture, **extends** Avolio *et al*'s (1996) and Yamaguchi's (1999) research that various forms of attitude and culture from the different workforce ideas of various leadership styles influence culture, **extends** the study concerning the significant relationship between leadership and organizational culture (Doherry, 1991; Trice and Beyer, 1991), and **extends** Jogulu's (2006) research which emphasizes that leadership types change along with organizational culture change.

#### **4.3. Effect of Organizational Culture on Employee Performance**

The Structural Equation Model analysis results show that the hypothesis which states Organizational Culture has a significant effect on Employee Performance is accepted. It means that Organizational Culture has a positive influence on Employee Performance. The direct effect of Organizational Culture on Employee Performance has a coefficient value of 0.228 and a p-value of 0.011. The analysis results of the p-value <5% indicate a positive and significant effect. It means that increased Organizational Culture has a significant effect on improved Employee Performance. The higher the Organizational Culture (Y1) value is, the higher the Employee Performance value will be.

If the organizational culture has to change, the first thing an employee must do is s/he must learn to modify the old culture so that it can affect his/her performance. This finding also **extends** researches by Nystrom (1993), Koesmono (2005), Ojo (2009), and Kartiningsih (2007) that Organizational Culture influences Employee Performance.

Effect of Organizational Culture on Employee Performance: is significant (0.227), a well-developed and orderly Organizational Culture in the company will influence a higher Employee Performance, and in line with the findings of Koesmono (2005), Ojo (2009), and Kartiningsih (2007) that Organizational Culture influences Employee Performance. However, in the Achievement Cooperative, 69.4% -76.3% of the employees with female employees (69.88%) as the largest respondents were in the low to moderate category. It means that most female employees still feel the differences in achievement and success between male and female employees, so managers need to review a number of adhesive functions of organizational values, specifically as stated by Robbins (2006) that rewards such as salary increases must be in accordance with employee achievement or performance and not based on favoritism, gender, or other non-work factors.

#### **4.4.Effect of Servant Leadership on Work Involvement**

The Structural Equation Model analysis results show that the hypothesis which states Servant Leadership has a significant effect on Employee Involvement is accepted. It means that Servant Leadership has a positive influence on Work Involvement. The direct effect of Servant Leadership on Work Involvement has a coefficient value of 0.322 and a p-value of 0.001. The analysis results of the p-value <5% indicate a positive and significant effect. It means that increased Servant Leadership has a significant effect on improved Work Involvement. The higher the Servant Leadership (X1) value is, the higher the Work Involvement value will be.

This **research supports** Agarwal et al.'s (1999) research that consideration behavior (as the main component of servant leadership) has a close relationship with work involvement. This research **extends** the findings that there is a positive influence of leadership style on work involvement (Bateman and Strasser, 1984; Bono and Judge, 2003), **extends** Durick's (1988) research that leadership and company age - classified as the organization characteristics - are the best predictors of work involvement. Some studies verify that there is no relationship between Servant Leadership and Work involvement, but generally, almost all literature shows that there is a significant relationship between Leadership Style and Work involvement, probably because of the belief that "employees who have a high commitment to top management will contribute large profits to shareholders". This research also **does not support** Chipunza et al.'s (2011) research that the laissez-faire leadership style has a weak relationship on work involvement. Thus, it cannot be expected that laissez-faire leadership has a positive influence on work involvement.

#### **4.5.Effect of Work involvement on Employee Performance**

The Structural Equation Model analysis results show that the hypothesis which states Work involvement has a significant effect on the Employee Performance is accepted. It means that Work involvement has a significant influence on Employee Performance. The direct effect of Work involvement on Employee Performance has a coefficient value of 0.208 and a p-value of 0.044. The analysis results of the p-value <5% indicate a positive and significant effect. It means that value changes occur in Work involvement. It means that the higher the Job Engagement value is, the higher the Employee Performance value will be.

The findings of this research **do not support** social exchange theory (Blau 1964), **nor support** Blau and Boal's (1987) research that Work Involvement implies a positive

engagement of core aspects of the self in the job and is part of work attitude, then work attitude will have a direct effect on productivity (Robbins, 1996). Thus, the findings also **do not support** Borman and Motowidlo's (1997) research that Work involvement has an influence on work outcomes, which include performance. The more employees are involved in their work, the more they can be expected to produce a good performance. The findings also **do not support** the findings of Rotenberry (2007), Kartiningsih (2007), and Burton (2000) which proved that Work involvement influences Employee Performance, **do not support** Diefendorff et al.'s (2002) research that there is a weak relationship between work involvement and performance, and **do not support** Brown and Leigh's (1996) research that employee with high work involvement will have high motivation and consequently will have harder efforts so that they have better performance, compared to individuals with low work involvement.

The results show that Work Involvement has an indirect effect on Employee Performance, but through OCB as the mediating variable. With the acceptance of the hypothesis through indirect effect, it indicates the need for OCB as the mediator on the effect of Work Involvement on Employee Performance. The results of this research are the combination of Blau's (1964) and Kanungo's (1984) research which state that Work Involvement has an influence on OCB, as well as Podsakoff et al.'s (1997) and Biswas and Varma's (2007) findings that OCB has an influence on Employee Performance.

This condition can occur in Outstanding Cooperatives because employees who are involved and work hard enough will voluntarily help their partners or work beyond the provisions even if they do not receive remuneration directly in the form of material, causing their performance to be increased.

#### 4.6. Research Findings

Some research findings which are different from the results of previous studies are: (1) The effect of Servant Leadership on Organizational Culture has never been studied before in Cooperatives and empirically the effect can be proven in this research. The findings prove that Servant Leadership as one type of Leadership can strengthen organizational culture, in which culture reflects organizational values and provides benefits to the organization. Leaders will attach their contribution to Organizational Culture through their actions and reactions (Schein, 1992) and Hofstede (1980) believes that each characteristic in Organizational Culture can be applied to explain the culture that best fits the Servant Leadership theory. (2) The effect of Servant Leadership on Employee Performance has never been studied before in Cooperatives and can be empirically proven in this research. The findings prove that Servant Leadership is the embodiment of Cooperative Leadership (Attachment 10, No. 2) because it is in accordance with the service element in Cooperatives. Continuous service is not only for members but also for employees in line with the dynamics of change. It is in line with Hall's *et al* (1996) opinion that the role of the leader will support the employee's competency and creativity process which ultimately promotes the best employee performance.

In the scientific field, the results of this research contribute to the new paradigm development of leadership style. The leadership style paradigm has evolved successively: Great Man Theories, Trait Theories, Behaviorist Theories, Situational Leadership, Contingency Theory, Transactional Theory, Transformational Theory (Gosling et al., 2003) and currently Servant Leadership (Barbuto and Wheeler, 2006). In this research, Servant Leadership as an alternative leadership style was applied to the Achievement Cooperative in order to improve Employee Performance. Some contributions from these research results specifically can be described as follows: (1) Ontologically, the results of this research can contribute to the theory and practice of Servant Leadership, especially in Cooperatives. Servant leadership is a formal object supported by several theories and facts that can be proven rationally, relating to its concepts, the conceptual analysis study

and language used, and development and preparation of more appropriate ways to obtain knowledge. (2) Epistemologically, Servant Leadership as a new variable at the theoretical level shows the practice of scientific truth-seeking and points to the knowledge structure based on scientific research which can be contributed to the science world to be studied, analyzed, and developed as a very interesting knowledge. (3) Axiologically, the results of this research can be practiced in everyday life, especially the service element in the Servant Leadership application in Outstanding Cooperatives because it is proven to have values that can be felt directly by employees and members of Outstanding Cooperatives. Efforts to improve employee performance by being willing to serve employees are "valuable" practices that will provide benefits to manager-employee relationship and Cooperatives as a whole.

A research will be better if it is continued with other subsequent research. This certainly implies that no research is perfect and has limitations. Some limitations of this research are (1) the Servant Leadership Variable in this research used 4 (four) indicators (Wong and Page, 2003). The results might be different if using 9 (nine) indicators (Russell and Stone, 2002). (2) The Employee Performance Variable in this research only used 3 (three) indicators proposed by Wiryawan (2009), in which the personal characteristics indicator only included 2 (two) items out of 3 (three) items by excluding the leadership item. (3) This research was conducted on Outstanding Cooperatives in South Sulawesi only, in which South Sulawesi that has been chosen as a Cooperative Province (SK. 07/Per/M.KUKM/II/2009) with the largest number of cooperatives in East Indonesia (CBS, 2011) is known as the area with vibrant and advanced Cooperatives dynamics, including mutual cooperation and togetherness values in achieving a better economic life. The research findings might be different if the research using the same model is conducted outside South Sulawesi Province.

## 5. Conclusions and Suggestions

The research conclusions are as follows: the five research hypotheses are accepted because the p-value is  $<0.05$ . It indicates that servant leadership has a direct effect on employee performance. The higher servant leadership is, the higher employee performance will be. On the other hand, with organizational culture and work involvement as the mediating variables, servant leadership has an indirect influence on employee performance. Thus, it can be concluded that the higher servant leadership is, supported by the higher organizational culture and work involvement, the better employee performance will be.

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