IMPROVING THE PERFORMANCE NON-PROFIT ORGANIZATIONS?

Mochamad Soelton, Brawijaya University
Noermijati Noermijati, Brawijaya University
Fatchur Rohman, Brawijaya University
Mugiono Mugiono, Brawijaya University

ABSTRACT

This paper aims to evaluate the impact and analyze the effect of transformational leadership on organizational performance which is mediated by organizational commitment, and organizational culture. This research was conducted using descriptive methods in Child Welfare Institutions throughout Indonesia (LKSA) under the auspices of the Ministry of Social Affairs of the Republic of Indonesia with a total sample of 185 respondents, the respondents are the top leaders of each institution. The finding showed that the role of the leadership as a whole is able to improve organizational performance effectively and efficiently for the sustainability of the institution for which it is responsible. This includes that organizational commitment can be consistently applied by leaders in this institution. This means that the higher the leadership in this institution, the stronger the norms will be embedded in the culture for the real actions of all its employees, which of course can ultimately strengthen the organization's performance stably. However, the organization has not been able to install a sense of ownership, especially employee loyalty to the institution, to its members on a permanent basis.

Keywords: Transformational Leadership, Organizational Performance, Organizational Commitment, Organizational Culture.

INTRODUCTION

Organizations to improve their performance, they need to focus on leadership and the continuous use of knowledge, which can serve as an essential key to success in facilitating individual, team and leadership transformation. Regarding transformational practices that can contribute to organizational performance (Abas et al., 2013; Alrowwad et al., 2016; Andrew & Cazares, 2015; Aragón-Correa et al., 2007; Arif, 2018; Khan & Ismail, 2017; Ojokuku et al., 2013; Wollah et al., 2020), and transformational leadership is studied from the point of view of non-profit organizations (Birasnav, 2014; Harris & Ogbonna, 2011; Mutahar et al., 2015) will pay attention to the importance of leadership in every organization, so that researchers provide another model for studying the relationship between transformational leadership and organizational performance. Thus, this research will provide sufficient new opportunities for organizational leadership to improve relationships by maximizing the profitability of the organization so that they adapt a leadership style that polishes their abilities and helps them achieve maximum profit (Ramli et al., 2020; Soelton et al., 2020; Aslam et al., 2016; Nugrahati et al., 2019; Soelton & Nugrahati, 2018).

Based on the background description above, testing of the problems in this study can be carried out. According to Alrowwad et al. (2016); Darmawan et al. (2019); Ojokuku et al.
Soelton et al. (2020) identified every problem in this study, namely that the leadership of child social welfare institutions in Indonesia is governed by various policies and programs, including from the 1945 Constitution, where neglected and poor children are cared for by the community. Country. Law of the Republic of Indonesia Number 4 of 1979 concerning Child Welfare has assisted children's rights, namely “the child has the right to welfare, care, care and guidance based on affection both within the family and in special care to grow and develop well “, and responsibility, namely that “responsibility is responsible for the welfare of the child” (Lee et al., 2012).

There have been many previous studies which stated that commitment has an effect on individual performance (Lee et al., 2012; Batilmurik & Noermijati, 2019; Syauta et al., 2012; De Cuyper et al., 2009; Suliman & Kathairi, 2013; Badu et al., 2019; De Baerdemaeker & Bruggeman, 2015; Dunk, 1990; Sanders, 2008; Kawiana, 2018; Al Zefeiti & Mohamad, 2017; Ogiedu & Odia, 2013). The results of research by (Ramli, 2019) found that there is a high level of employee pride, followed by a level of service to goals and interactions; (Soelton et al., 2020) stated that satisfaction, superior support, group cohesiveness and promotion opportunities are predictors of organizational commitment. Organizational commitment has a significant relationship with Organizational Performance, as summarized in previous studies, including: (Dick & Metcalfe, 2001; 2007) which specifically discusses organizational commitment to employees. Meanwhile, different research is shown by Osibanjo et al. (2014); De Cuyper et al. (2009); Kawiana (2018); Lee et al. (2012); Li et al. (2010); Ramli et al. (2020); Singh et al. (2019); Soelton et al. (2021); Suzabar et al. (2020); van Gelderen & Bik (2016); Wirnipin et al. (2015); Zincirkiran et al. (2015); Hafiz (2017); Sintyaningsih et al. (2020); Sitepu (2010).

Some of the main findings of this study are: non-standardized and undocumented management of the development of children in care. The function of the Child Orphanage is more of an institution that provides access to education for children at school as an alternative institution for caring for children who cannot be cared for by their parents or their families. e). Children who live in institutions generally (90%) still have both parents and are sent to orphanages with the main reason to continue their education. f). Based on the educational goals of the orphanage, children must stay at home for a long time until they graduate from high school and must attend the coaching or care they are supposed to receive.

**LITERATURE REVIEW**

**Transformational Leadership**

Analysis of leadership dating from the 1900s to the 1940s has focused on the differences between leaders and followers. In Derue et al. (2011) research on the different heritable attributes of a leader who is not a leader and describes someone as an effective leader. Research on leadership begins by looking for inherited attributes that differentiate leaders from non-leaders and explaining individual obligations as leaders, in Derue et al. (2011). The theory of leadership traits (theory of leadership traits) explains that it is because leaders The strong can be described by their characteristics, based on personal qualities and characteristics The search for personality, physical, or intellectual characteristics that distinguish a leader from a leader who is not a leader. In transformational leadership (Bass, 1999) there are indicators of inspirational motivation, transformational leaders behave with the aim of motivating by inspiring those around them (Avolio et al., 2004; Luthans, 2015).
Organizational Performance

According to Luthans (2015), the performance of the quantity and quality of work produced or services provided by someone who does work in the organization, provides a definition of performance as the results obtained by the organization over a certain period. Therefore, organizational performance reflects the level of achievement and achievement of targets that have been set as well as the manager's or organizational leadership's trust in the organization. According to Soelton et al. (2021) organizational performance is an organization, team or organization in realizing the target strategy that has been set with the expected behavior. According to Suzabar et al. (2020) is an application for organizational task performance by using effective and efficient resources. Resources include human resources, all assets, capabilities, organizational processes, company attributes, information and knowledge controlled by the company. Performance is defined as a description of the level of implementation of activities, programs and policies by using a number of resources to achieve predetermined goals (Sembiring, 2012).

Organizational Commitment

Luthans (2015) suggests several new things specifically for the application of management systems to help solve problems and increase organizational commitment to employees:

a. Committing to the main human values, making written rules, making good and appropriate managers, and maintaining communication.


c. Ensures organizational fairness, has a complete complaints system, provides extensive two-way communication.

d. Creating a sense of togetherness, building homogeneity based on values, justice, togetherness, and promoting cooperation, mutual support and teamwork.

e. Support employee development, perform actuation, provide challenging work, propose and empower, support from within, provide development activities, provide security to employees without guarantees.

Organizational Culture

The Cultural Dimension according to Cameron & Quinn (1999) divides culture based on the Competing Value Framework which explains the complex nature of organizational culture and provides cultural values that reflect the characteristics that enter into every organization. The dimensions that most domains and often appear in literature consist of:

1. Culture in terms of cultural strength or excellence,

2. Culture seen from the fit between cultures in one part of the organization is the same and in accordance with cultural reviews from other parts of the organization, and

3. In terms of a specific type of culture of an organization.

Furthermore, Cameron & Quinn (1999) found that organizations are more closely related to the type of culture than the suitability or strength of culture.

Hypothesis
**Relationship between transformational leadership and organizational performance**

Transformational leadership theory is very helpful by Bums (1978), who compared transformational leadership with transactional leadership. Transformational leadership draws on the moral value of followers to raise their awareness of ethical issues and mobilize their energy and resources for reform. Therefore, the following hypotheses are established in this study:

\[ H_1 \quad \text{Transformational Leadership has a positive effect on Organizational Performance} \]

**Relationship between transformational leadership and organizational commitment**

The quality of Transformational Leadership is a factor of the organization, where Transformational Leadership is a combination of competencies and insights to invite members to step together to achieve goals (Hatta et al., 2018). If a leader can clearly explain the vision and mission of the organization, then subordinates will give higher positive reactions to various problems, such as job satisfaction, commitment, loyalty, motivation, and organizational productivity (Hussein et al., 2014). Thus, the following hypotheses are established in this study:

\[ H_2 \quad \text{Transformational Leadership has a positive effect on Organizational Commitment} \]

**Relationship between organizational commitment and organizational performance**

According to research conducted by Cameron & Quinn (1999) that organizational commitment has a significant effect, there is a positive and insignificant influence. Commitment to Organization Organizational performance is carried out by Organizational Commitment by implementing budgeting. Organizational culture factors and organizational commitment are conditional factors that must be considered to increase the organizational level of budgetary participation. These factors are important in the globalization era, which is full of environmental uncertainty. The level of conformity of factors influencing Organizational Performance is rejected. Thus, the following hypotheses are established in this study:

\[ H_3 \quad \text{Organizational Commitment has a positive effect on Organizational Performance} \]

**Relationship between Transformational Leadership and Organizational Culture**

According to (Soelton & Nugrahati, 2018) that the quality of Transformational Leadership is a factor of the organization, where Transformational Leadership is a combination of competencies and insights to invite members to step together to achieve goals (Ramli et al., 2020). Thus, the following hypotheses are established in this study:

\[ H_4 \quad \text{Transformational Leadership has a positive effect on Organizational Culture} \]

**Relationship between organizational culture and organizational performance**

(Herminingsih, 2011) define organizational culture as what employees perceive and how these perceptions shape patterns of beliefs, values, and expectations. Whereas Luthans (2015) explains that organizational culture is a basic assumption pattern that is instilled in new members as something that is considered right to be accepted, used as the basis for thinking patterns and
daily activities (Ramli et al., 2020; Shahzad, 2012). Thus, the following hypotheses are established in this study:

\[ H_5 \] Organizational Culture has a positive effect on Organizational Performance

**The role of organizational commitment in mediating the influence of transformational leadership on organizational performance**

In Wirnipin's research Nugrahati et al. (2019), the results showed that the test results with descriptive statistics resulted in the presentation of the SPSs output. That the influence of Organizational Commitment has a positive and significant effect on organizational performance is accepted. This shows that the organization that is owned by each employee makes a high contribution to organizational performance. The better organizational commitment, the resulting organization will also increase. Thus, the following hypotheses are established in this study:

\[ H_6 \] Organizational Commitment can mediate the Influence of Transformational Leadership on Organizational Performance

**The role of organizational culture in mediating the influence of transformational leadership on organizational performance**

Organizational culture has a role in mediating the influence of leadership style and ethics on organizational performance. Thus, organizational culture has an important role in producing performance in the organization. According to research by Risianto et al. (2018) organizational culture can mediate the influence of leadership style on organizational performance. The role of organizational culture is because it can build the values carried by each individual in the organization and of course the leader as the most influential individual can form order in the organizational culture system, the organization's capable culture mediates the influence of ethics on organizational performance. Thus, the following hypotheses are established in this study:

\[ H_7 \] Organizational Culture can mediate the Influence of Transformational Leadership on Organizational Performance

![FIGURE 1
RESEARCH FRAMEWORK](image)

**METHODOLOGY**
Measurement Scales

The indicators that measure the applied variables are adjusted accordingly with the sample characteristics from previous studies. The variable “transformational leadership” using a scale according to Bass (1999); Yukl & Van Fleet (1982) includes 4 observations. “Organizational Performance” using John Miner in (Sudamanto, 2009) consists of 6 observations. “Organizational commitment” using (Allen & Meyer, 1990) consists of 6 observations. “Organizational culture” uses scales (Cameron & Quinn, 1999) consists of 4 observations.

Data Collection and Method of Analysis

This research design is based on the research method. Researchers collected data from Child Welfare Institutions throughout Indonesia that have been accredited by the Ministry of Social Affairs of the Republic of Indonesia and which have obtained state certificates, namely A with a total sample of 185 respondents. The design used in this study is a causal design. The causal research design is useful for analyzing the relationship between one variable and another. Causal design examines “causal” relationships (Sugiyono, 2013). Analysis of the data used in this research was inferential statistical analysis, namely Structural Equation Model, referred to as SEM. This SEM was operated through the “Partial Least Square” (PLS) software, namely version 3.2.9 of Smart-PLS.

Validity and Reliability Tests

Test of validity

Testing using the convergent validity of the measurement model with a reflective indicator is assessed based on the correlation between the item score/component score with the construct score calculated by SEM-PLS. Ghozali (2014) argues that an indicator can be said to have good validity if the loading factor value is greater than 0.70, while the loading factor of 0.50 to 0.60 can be considered sufficient. The validity test calculations that researchers had done can be seen in the following Table 1.

Based on Table 1, all variables have a communality value of >0.5 and AVE>0.5. The result has met the criteria of convergent validity so that all indicators are valid and can be used to further analysis. To ensure validity, the researcher conducted the next test, which was to evaluate the discriminant validity of the research variables. The outcome of the reliability review on Table 2.

The results of the calculations show that the square root of the mean extract of variance (\(\sqrt{AVE}\)) for each construct is greater to know between one construct and another in the model, so that means that all research variables are guaranteed to have differentiation (Hair et al., 2014; Hair et al., 2013; Henseler et al., 2015). Furthermore, evaluating the measurement value of research models such as R-square.

| Table 1 |
### SUMMARY OF VALIDITY TEST RESULT

<table>
<thead>
<tr>
<th>Item</th>
<th>Loading Factor</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Organizational Commitment&quot;</td>
<td></td>
<td>0.641</td>
</tr>
<tr>
<td>OC1. Affective Commitment</td>
<td>0.796</td>
<td></td>
</tr>
<tr>
<td>OC2. Continuance Commitment</td>
<td>0.715</td>
<td></td>
</tr>
<tr>
<td>OC3. Normative Commitment</td>
<td>0.882</td>
<td></td>
</tr>
<tr>
<td>&quot;Organizational Culture&quot;</td>
<td></td>
<td>0.634</td>
</tr>
<tr>
<td>OCL1. Adhocracy</td>
<td>0.788</td>
<td></td>
</tr>
<tr>
<td>OCL2. Clan</td>
<td>0.781</td>
<td></td>
</tr>
<tr>
<td>OCL3. Hierarchy</td>
<td>0.829</td>
<td></td>
</tr>
<tr>
<td>OCL4. Market</td>
<td>0.787</td>
<td></td>
</tr>
<tr>
<td>&quot;Organizational Performance&quot;</td>
<td></td>
<td>0.605</td>
</tr>
<tr>
<td>OP1. Policy</td>
<td>0.801</td>
<td></td>
</tr>
<tr>
<td>OP2. Planning and Budgeting</td>
<td>0.848</td>
<td></td>
</tr>
<tr>
<td>OP3. Quality</td>
<td>0.632</td>
<td></td>
</tr>
<tr>
<td>OP4. Economy</td>
<td>0.836</td>
<td></td>
</tr>
<tr>
<td>OP5. Equity</td>
<td>0.796</td>
<td></td>
</tr>
<tr>
<td>OP6. Accountability</td>
<td>0.733</td>
<td></td>
</tr>
<tr>
<td>&quot;Transformational Leadership&quot;</td>
<td></td>
<td>0.602</td>
</tr>
<tr>
<td>TL1. Idealized influences</td>
<td>0.759</td>
<td></td>
</tr>
<tr>
<td>TL2. Inspirational motivation</td>
<td>0.813</td>
<td></td>
</tr>
<tr>
<td>TL3. Individual considerations</td>
<td>0.703</td>
<td></td>
</tr>
<tr>
<td>TL4. Intellectual stimulation</td>
<td>0.821</td>
<td></td>
</tr>
</tbody>
</table>

### Test of Reliability

In PLS, reliability testing can use two approaches, namely the Cronbach alpha and Composite reliability. The Cronbach alpha or Composite Reliability rule of thumb must be greater than 0.7, even though 0.6 is appropriate (Hair et al., 2014). Table 3 can be used as the outcome of the reliability review.

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Commitment</td>
<td>0.732</td>
</tr>
<tr>
<td>Organizational Culture</td>
<td>0.809</td>
</tr>
<tr>
<td>Organizational Performance</td>
<td>0.867</td>
</tr>
<tr>
<td>Transformational Leadership</td>
<td>0.78</td>
</tr>
</tbody>
</table>

Table 3 shows that the Cronbach Alpha and the Composite reliability values are above 0.7 for each component. So, it can be concluded that the instruments used are reliable.
Data Analysis Results

Data from the test of validity and reliability was then processed to determine the hypothesis testing results through the Structural Equation Model, which was operated through the "Partial Least Square" (PLS) software, namely version 3.2.8 of Smart-PLS. The results of calculated Smart-PLS can be seen in Figure 2 (Tables 4 & 5).

![Structural Model Output](image)

**FIGURE 2**
STRUCTURAL MODEL OUTPUT

<table>
<thead>
<tr>
<th>Table 4</th>
<th>THE RESULT OF DIRECT EFFECT TESTING</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H</strong></td>
<td>Relationships Between Variables</td>
</tr>
<tr>
<td></td>
<td>Independent Variables</td>
</tr>
<tr>
<td>H1</td>
<td>Transformational Leadership</td>
</tr>
<tr>
<td>H2</td>
<td>Transformational Leadership</td>
</tr>
<tr>
<td>H3</td>
<td>Organizational Commitment</td>
</tr>
<tr>
<td>H4</td>
<td>Transformational Leadership</td>
</tr>
<tr>
<td>H5</td>
<td>Organizational Culture</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 5</th>
<th>THE RESULT OF INDIRECT EFFECT/MEDIATION TESTING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>Inter-Variable</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Leadership & Organization Management 8 1939-6104-20-S5-053
### DISCUSSION

**Hypothesis 1**

Transformational leadership has a positive effect on organizational performance. Beta coefficient value of 0.139 and t-value of 2.098 were obtained in the results. The t-value of >1.98 (two-sided hypothesis) indicates that “transformational leadership is positively influenced by organizational performance”. This means that transformative leadership style in LKSA will strongly promote Organizational performance. The leader explains the vision and provides an understanding of the general goals of the organization so that the LKSA is able to provide good service.

**Hypothesis 2**

Transformational leadership has a positive effect on organizational commitment. Beta coefficient value of 0.632 and t-value of 18.137 were obtained in the results. The t-value of >1.98 (two-sided hypothesis) indicates that “transformational leadership is positively influenced by organizational commitment”. The leader explains the vision of what must be done in providing an understanding of the general goals of the organization because the leader has a responsibility to make LKSA’s better.

**Hypothesis 3**

Organizational commitment has no effect on organizational performance. Beta coefficient value of 0.120 and t-value of 1.873 were obtained in the results. The t-value of <1.98 (two-sided hypothesis) indicates that “organizational commitment is not influenced by organizational performance”. Although LKSA employees have a sense of responsibility to make this institution better, the organization has a way to empower human resources.

**Hypothesis 4**

The impact of transformational leadership over organizational performance through organizational commitment as mediating variable. According to hypothesis in this research, it was found that mediating organizational commitment on relationship between transformational leadership and organizational performance has not mediating variable.

**Hypothesis 5**
Transformational leadership has a positive effect on organizational culture. Beta coefficient value of 0.666 and t-value of 18,182 were obtained in the results. The t-value of > 1.98 (two-sided hypothesis) indicates that “transformational leadership is positively influenced by organizational culture”. The leader provides an understanding of the vision and general goals of the LKSA so that this institution has a formal procedure for carrying out its activities.

Hypothesis 6

Organizational culture has a positive effect on organizational performance. Beta coefficient value of 0.120 and t-value of 1,873 were obtained in the results. The t-value of > 1.98 (two-sided hypothesis) indicates that “organizational culture is positively influenced by organizational performance”. Institutions collect data and information used before planning so that this institution has clear procedures in conducting its operational activities.

Hypothesis 7

The impact of transformational leadership over organizational performance through organizational culture as mediating variable. According to hypothesis in this research, it was found that mediating organizational culture on relationship between transformational leadership and organizational performance has partial mediating variable.

CONCLUSION

Based on the data analysis and the discussion that has been stated, several research conclusions can be stated as follows:

1. The role of the leadership as a whole is able to improve organizational performance effectively and efficiently for the sustainability of the institution for which it is responsible. This includes that organizational commitment can be consistently applied by leaders in this institution. This means that the higher the leadership in this institution, the stronger the norms will be embedded in the culture for the real actions of all its employees, which of course can ultimately strengthen the organization's performance stably. However, the organization has not been able to instill a sense of ownership, especially employee loyalty to the institution, to its members on a permanent basis.
2. A stronger culture is consistently formed, including norms in applying organizational culture to all managers and employees, the better it will be to improve organizational performance. Organizational commitment which tends to look bad, becomes a big job for the management in the decision-making section, the opposite results in the level of performance in an organization that will also decrease or worsen. Organizational learning activities such as the process of creating, maintaining or transferring knowledge to an organization are good, so that the level of performance in an organization will also follow well.

Implication

The study of this research has generated several theoretical and practical implications such as:

1. The organization should be able to provide more structured, clear and direct training on the types of work for caregivers so that they acquire applicable skills upgrades and gain more knowledge or insight than ever before.
2. The organization is more protective of the commitment felt by each caregiver, such as the provision of adequate work facilities for employees in the workplace, which is currently considered very minimal
so that it does not support their success in their activities. The organization must pay attention to the level of workload done by each carer or the organization can act fairly towards all carers.

Limitation

Some limitations faced in the implementation of research include the object of research is still limited to child welfare institutions accredited A, and only involves the highest leadership of each institution, limiting the generalizability of research results to 1 type of institution. in the future, research can be carried out on types of institutions such as welfare institutions for the elderly, welfare institutions for persons with disabilities and other institutions under the auspices of the Ministry of Social Affairs of the Republic of Indonesia.

REFERENCES


