The Influence of Leadership Style, Work Motivation, Company Culture on Employee Competency

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Abstract

The human capital concept has been applied in terms of human resources management in many companies including one of Indonesia's electricity companies in Sulawesi. Regarding employee management, the company set human resources as an important asset in producing the best performance for the company. In 2019- 2021, 85% of employees who took part in the competency assessment had not been able to demonstrate individual competency as required by the company. If this lack of competence continues, it can affect both individual performance and company performance. Upon seeing these conditions, this study takes several factors that are considered to affect the competence of employees. This study aims to determine how the leadership style, work motivation, and company culture affect the competence and performance of employees while emphasizing the dominant factors to increase employee competence by using SEM – the PLS method. 142 respondents participated in this study. The results showed that transformational leadership style, work motivation, and company culture affect employee competence by 43.4%. For further explanation, leadership style has a positive and significant effect on employee competence with a T statistic of 2.281, the work motivation variable has a negative and insignificant effect on employee competence with a T statistic of 1.270, and company culture has a positive and significant effect on employee competence with a T statistic of 3.875.

Keywords
Competence, Leadership style, Work motivation, Company culture, Partial Least Square

1. Introduction
Human resource management with the concept of human capital has now been widely applied to companies in Indonesia, including one of the national electricity companies owned by the Indonesian government. In its concept, every company wants their employees who can think widely and always try to improve their potential in achieving the best performance for themselves and the company. To achieve the best performance, employees with good competencies are needed so that they can manage to solve problems that might arise while carrying out the tasks and responsibilities that have been assigned to them. Employee performance can be interpreted as a description of the activities demonstrated by an employee in his daily life to fulfill his duties and responsibilities to the company he is

committed to. The higher the performance of employees shows, the more the company's performance will increase. This performance can lead to achieving the company's goal.

This organization has 1341 employees and every six months, this company conducts performance appraisals for every employee. This employee performance appraisal consists of two indicators of assessment, the first is achieving employee performance targets and the second is individual employee performance. Achieving employee performance targets intended to assess or measure employee's achievement to their KPI. While the individual performance of employees is a one-hundred-and-eighty-degree assessment carried out by superiors to their subordinates based on the core competencies and areas shown in the employees' daily lives. In addition, this organization also measures the core competencies and areas of employees through a competency assessment program. In 2019 – 2021, 85% of employees who took part in the competency assessment program had not been able to demonstrate individual competence as required by the organization. If this continues, it can affect not only the performance of employees but the organization's performance as well. Competence is one of the major factors in improving performance, so companies should pay more attention to employee competence in the organization/company (Syahputra & Tanjung, 2020). If the employee's performance target is well achieved, then it can give a positive impact on the company's performance as well and encourages the company to achieve its objectives. Performance evaluation aims to improve organizational performance by improving the performance of each human resource in an organization (Pratidina, 2018).

Several employees explained that the negative results of the assessment due to the main concern of the supervisor is about raising the organization's performance. In addition, another dominant factor was the work location of the employee that is far from their hometown or their family and this affects greatly their spirit to get work done. Another factor is the changing work culture implemented by the company that makes the employee confuse.

This study aims to measure the effect of the variable's leadership style, work motivation, and, company culture on employee competence and performance. The results of this study are expected to identify the factors that influence the improvement of employee competence and performance so that the company's goal of creating reliable and competitive talents can be achieved.

2. Literature Review

2.1 Work Motivation
Vroom (1964) suggested that motivation at work depends on expectations, instrumentality, and valence. Employee's expectations affect the way he works and the expected results of his work. Instrumentality itself is considered as a belief that drives the best performance that will be followed by a reward and valence is the value held by an employee that will have an impact on the income/reward received. Another opinion explains that motivation is influenced by a hierarchy of needs, namely psychological, security, social, self-esteem, and self-ability (Maslow, 2010; Robbins & Judge, 2013).

2.2 Leadership
Leadership and leadership style in organizations play a very important role in influencing employee performance because employee performance depends on how a leader provides direction to his subordinates to achieve common goals (Septyandini, 2019). Diantari (2016) explains that the presence of a leader is an important factor because leadership factors can affect employee performance. In the current practice of leadership, the leadership style that is considered still relevant to various conditions is the transformational leadership style. Robbins & Judge (2013) say that the transformational leadership style is very effective to apply because it creates a creative space and encourages followers to participate in developing their creativity. Furthermore, Robbins & Judge (2013) identified the characteristics of transformational leadership into four dimensions, namely: idealized inspiration, intellectual stimulation, and individualized consideration.

2.3 Company Culture
Company Culture also known as Organizational culture is believed to influence the way employees think and act and is a reflection of the company's condition. Organizational culture can have positive influences such as job satisfaction, organizational commitment, productivity and creativity, and increased performance (Yip et al. 2020). Organizational culture is often interpreted as values, and symbols that are understood and obeyed together, which are owned by an organization, so that members of the organization feel like one family and create conditions that are different from

other organizations (Sinambela & Sinambela 2019). Robbins & Judge (2013) describe seven characteristics of organizational culture, namely: innovation and risk-taking, attention to detail, outcome orientation, people orientation, team orientation, aggressiveness, and stability.

2.4 Employee Competences

Competence shows certain knowledge, skills, and attitudes of the profession in certain skill traits, which characterize someone as a professional (Fadude et al., 2019). Another opinion from Ellström & Kock (2008) explains competence as a requirement to complete a certain task/job. The structure of an individual's competence is described as an iceberg with the basic structure of the iceberg being knowledge and skills (Bergenhenegouwen et al., 1997). Spencer & Spencer (1993) identified the main characteristics that compose competencies and can affect individual performance, namely motives, traits, self-concept, knowledge, and skills.

2.5 Employee Performance

Performance etymologically is performed which means to carry out or run. Employee performance can be interpreted as work performance or work (output) both quality and quantity achieved by employees per certain period in managing their duties by the responsibilities given to them (Faizal et al. 2019). In an organization, organizational performance is obtained from the results of the performance of each individual in the organization. Individuals who perform optimally will of course give birth to organizations that have optimal performance. Every organization should conduct periodic performance appraisals to determine the productivity of each employee. Through performance evaluation, a leader can also figure out if the employees under his wing are motivated at work or not and can formulate strategies to improve the performance of their employees from time to time. Dewi & Harjoyo (2019) defines performance appraisal as a process of measuring the degree of completion of tasks carried out by employees during a certain period by using an instrument that is by the characteristics of the task. The dimensions of employee performance appraisal (Adamy, 2016; Bernadin & Russell, 1998) are Quality, Quantity, Timelines, Cost Effectiveness, Need for Supervision, and Interpersonal Impact.

3. Methods

In this study, the data was collected by distributing questionnaires to 270 employees with a clear career path to fill out the questionnaire. The data consists of the respondent's perception of the influence of leadership style, motivation, and companyculture on employee competence using a Likert Scale. The Likert scale is a non-comparative technique consisting of five-level categories, requiring respondents to indicate the degree of agreeing or disagreeing with each statement related to the object being assessed (Hermawan & Amirullah 2016). The hypotheses in this study are:

H1: Leadership style affects employee competence
H2: Motivation affects employee competence
H3: Company culture affects employee competence
H4: Leadership style affects employee performance
H5: Motivation affects employee performance
H6: Companyculture affects employee performance
H7: Employee competence affects employee performance

4. Data Collection

This study obtained 142 respondents who filled out the questionnaire with the characteristics of the gender of the respondents, namely 123 male employees and 19 female employees. 59 respondents have a bachelor's degree, 40 respondents have a Diploma, and 43 respondents have a Diploma 1. Among 142 respondents, 2 respondents said they had never participated in any assessments, 49 respondents stated that they had participated once in an assessment, 39 respondents stated that they participated twice in an assessment, 20 respondents stated that they participated 3 times in an assessment and 32 of respondents have participated in the program more than 3 times.

5. Results and Discussion

5.1. Outer Model

The initial stage that must be carried out in evaluating the model using the SEM method is to evaluate the measurement model (outer model) through testing convergent validity, discriminant validity, and reliability testing. The model between constructs according to the hypothesis can be seen in Figure 1.
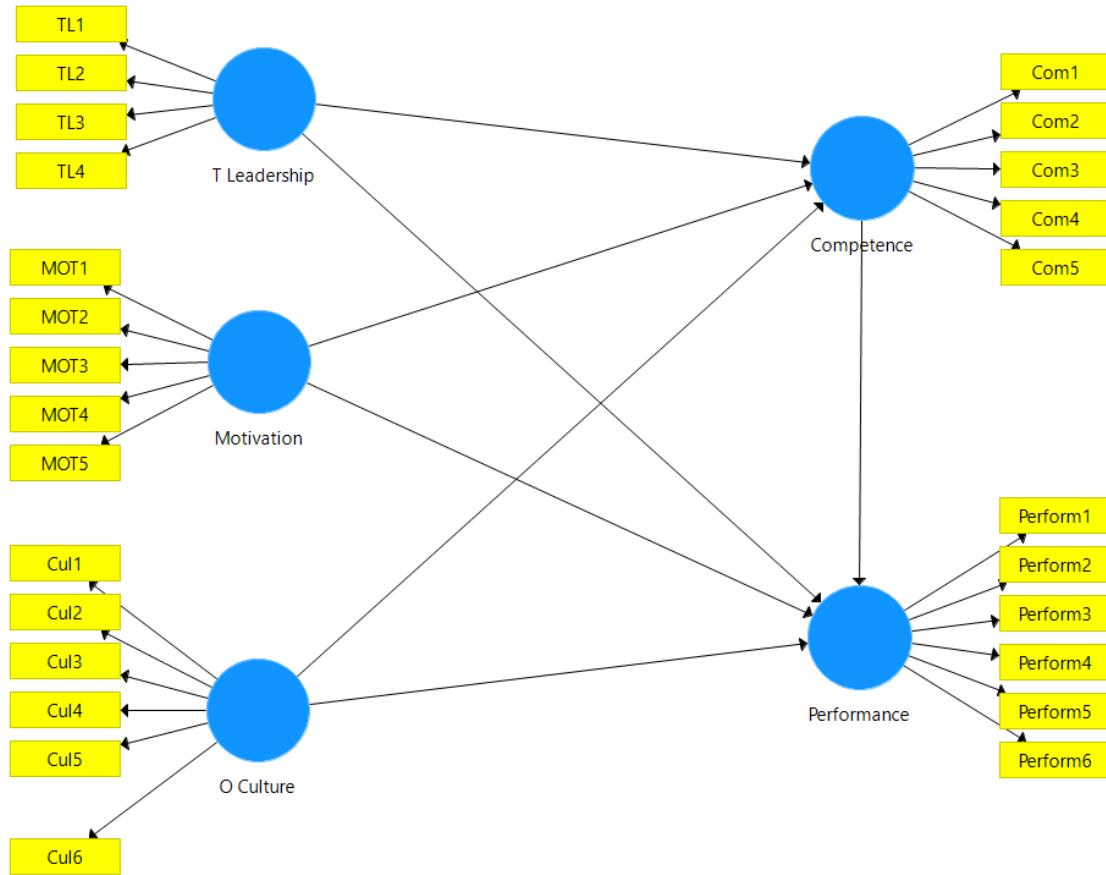
Figure 1 Conceptual Study

The results of the analysis of the model between constructs can be seen in Table 1 below.

Table 1. Validity and Reliability Test

	Loading	Cronbach's Alpha	AVE	CR
Cul1	0,859	0,885	0,634	0,912
Cul2	0,785			
Cul3	0,752			
Cul4	0,751			
Cul5	0,786			
Cul7	0,838			
Perform1	0,807	0,910	0,690	0,930
Perform2	0,886			
Perform3	0,825			
Perform4	0,845			
Perform5	0,812			
Perform6	0,806			
Com1	0,807	0,893	0,701	0,921
Com2	0,836			

Com3	0,832			
Com4	0,863			
Com5	0,847			
Mot1	0,781	0,877	0,671	0,910
Mot2	0,910			
Mot3	0,835			
Mot4	0,741			
Mot5	0,818			
TL1	0,908	0,928	0,822	0,949
TL2	0,905			
TL3	0,898			
TL4	0,916			

Based on Table 1, it can be seen that the loading factor value of each indicator is by the required standard, which is the loading factor of 0.7 (Ghozali, 2021), so it can be concluded that all the data analyzed are valid. In addition to the Loading Factor, AVE (Average Variance Extracted) is also important to see if it is compatible with the standard minimum limit value. Haryono (2016) explains that the threshold for an Average Variance Extracted is 0.5 so as we look at the results in Table 1, the AVE value for each variable has exceeded 0.5.

After testing the validity, the next test is reliability testing by looking at Cronbach's Alpha and Composite Reliability values. The reliability test is carried out to prove the accuracy, consistency, and accuracy of the instrument in measuring constructs (Ghozali, 2021). The threshold for Cronbach's Alpha and Composite Reliability is 0.7 (Ghozali, 2021) so it can be concluded that the results of the validity test according to Table 1 have been met.

Table 2 Fornell Larcker Criterion

	Company Culture (X3)	Employee Performance (Y2)	Employee Competency (Y1)	Work Motivation (X2)	T Leadership (X1)
X3	0,796				
Y2	0,627	0,831			
Y1	0,612	0,891	0,837		
X2	0,825	0,553	0,501	0,819	
X1	0,700	0,616	0,581	0,759	0,907

Based on Table 2, it can be seen that the AVE root value of each variable is greater than the correlation value between constructs, so it can be concluded that the requirements for discriminant validity testing have been met.

5.2. Inner Model

After evaluating the measurement model (outer model) through testing convergent validity and discriminant validity, the next step is to evaluate the structural model (inner model). Evaluating the structural model consist of the suitability of the R Square value, path coefficient, P-Value, and T-Statistic. The results of the R-Square that have been carried out can be seen in Table 3 below.

Table 3 R Square

Variable	*R Square*	Conclusion
Employee Performance	0,812	81.2% of the performance variables are influenced by the variables of leadership style, work motivation, company culture, and employee competence. While 18.8% is influenced by other factors.

Employee Competency	0,434	43.4% of the competence variables are influenced by leadership style, work motivation, and company culture. While 56.6% is influenced by other factors.

Based on Table 3, it can be seen that employee performance variables are influenced by leadership style, work motivation, company culture, and employee competence by 81.2%. Meanwhile, 18.8% is influenced by other factors. This is also in line with the competence variable which has an influence of 43.4% from the variables of leadership style, work motivation, and company culture while 56.6% is influenced by other factors of these variables. Furthermore, this study tested the direct relationship between variables according to the hypothesis which can be seen in Table 4.

Table 4. T-Statistic and P Values

Hypothesis	T-Statistic	P Values	Conclusion
T Leadership -> Competence/Skill (H1)	2,281	0,023	Accepted
Work Motivation -> Competence/Skill (H2)	1,2702	0,205	Rejected
Company Culture -> Competence/Skill (H3)	3,875	0,000	Accepted
T Leadership -> Work Performance (H4)	1,131	0,259	Rejected
Work Motivation -> Work Performance (H5)	0,889	0,375	Rejected
Company Culture -> Work Performance (H6)	0,290	0,772	Rejected
Kompetensi -> Work Performance (H7)	16,759	0,000	Accepted

Based on the results of the hypotheses analysis (Table 4), it is known that only the variables of transformational leadership style and company culture have a positive and significant influence on performance. Based on the analysis above we can say that only hypotheses 1 and hypothesis 3 can be accepted. The influence of the transformational leadership style which consists of idealized influence/charisma, inspirational motivation, intellectual stimulation, and individual consideration is a factor that encourages each employee to improve their skill in work. So does as Farida et al. (2021) explains that leadership plays an important role because leadership influences employee behavior and can gradually change personal values according to company requirements.

The results of the hypothesis analysis conducted (Table 4) show that company culture has a positive and significant effect on employee competence (H3). This means that the implementation of company culture has a role in increasing the competence of employees at the electricity organization in South Sulawesi. The company, which has just transformed its company culture this year, focuses its program on improving employee competence by providing examples of critical behavior that employees must possess to be able to respond to ever-changing challenges. The company culture variable in this analysis process only uses 6 indicators which originally consisted of 7 indicators. The indicator that must be removed when running stage 1 is the aggressiveness indicator which consists of 2 survey questions because the resulting factor loading value is <0.7.

6. Conclusion

According to the results of the SEM analysis, the study has discovered that the transformational leadership style and company culture have a significant effect on employee competence. Meanwhile, work motivation did not affect employee competence. The performance variable is not influenced by transformational leadership, work motivation, and company culture. The variables that affect employee performance are competency variables which are known to have a significant influence. The dominant variable that influences the work competence variable is the company culture. This result is in line with the focus of company culture transformation in 2022, which focuses on the Competent pillar. Through the implementation of this company culture, every employee is expected to have the ability to solve challenges that change from time to time. In addition, each employee is also expected to be able to finish the work under his responsibility with the best results and exceed the expectations of the employer.

In the employee performance variable, this study has discovered that the employee competence variable has the most significant influence on increasing employee performance. This result indicates that the implementation of company culture must receive attention from company management because it can encourage the improvement of individual

employee competencies which will also have an impact on improving employee and company performance. through internal and external training of the company. The application of knowledge management must be a concern for company top management to embed continuous learning values for every employee. Company leaders must be able to encourage employees to be able to implement their knowledge through an innovation competition program at the implementing unit level. By encouraging every employee to innovate, ideas for improvement to improve the quality of work results will have an impact on company performance.

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Biography

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