

INFLUENCE OF LEADERSHIP TO DETERMINE THE ORGANIZATIONAL PERFORMANCE ON THE CHANGE MANAGEMENT, CULTURE AND EMPLOYEE FOCUS

(Pengaruh Kepimpinan dalam Menentukan Prestasi Organisasi Terhadap Pengurusan Perubahan, Budaya dan Fokus Pekerja)

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ABSTRACT

Leadership is one of the keys to own a successful organization and performance is commonly set as the benchmark. However, the employees also need to play their role effectively in order to achieve a high performance. Due to the world modernization, numerous value crisis occurred among employees and leaders which affect the performance of the organization. Hence, various studies had been carried out to identify implication of the values or core values in criteria. This study measures the public university performance using the Value-Based Total Performance Excellence Model (VBTPPEM). Leadership criteria and employee criteria in the area of employee focus, change management and culture were analysed to observe the importance of these criteria towards university performance. Using Partial Least Square method, the relationship between all the criteria were determined in the VBTPPEM model. Findings shows that values in leadership play a significant role in influencing values in Employee focus ($\beta = 0.565$), change management ($\beta = 0.608$) and culture ($\beta = 0.587$) with $R^2=56.9\%$. These indicates, change performance, culture and employee focus are very vital in shaping positive leadership, in developing an inspiring organization.

Keywords: performance university; partial least squares; core values

ABSTRAK

Kepemimpinan adalah satu daripada kunci untuk memiliki organisasi yang berjaya dan prestasi kebiasaannya ditetapkan sebagai penanda aras. Walau bagaimanapun, pekerja juga perlu memainkan peranan mereka dengan berkesan untuk mencapai prestasi yang tinggi. Kerana pemodenan dunia, banyak krisis nilai berlaku dalam kalangan pekerja dan pemimpin yang mempengaruhi prestasi organisasi. Oleh itu, pelbagai kajian telah dilakukan untuk mengenal pasti implikasi nilai atau nilai teras dalam kriterium. Kajian ini mengukur prestasi universiti awam dengan menggunakan Model Kecemerlangan Menyeluruh Berasaskan Nilai (VBTPPEM). Kriterium kepemimpinan dan kriterium pekerja dalam fokus pekerja, pengurusan perubahan dan budaya dianalisis untuk melihat kepentingan kriterium ini terhadap prestasi universiti. Dengan menggunakan kaedah Kuasa Dua Separa Terkecil, hubungan antara semua kriterium ditentukan dalam model VBTPPEM. Dapatan menunjukkan bahawa nilai dalam kepemimpinan berperanan penting dalam mempengaruhi nilai dalam fokus pekerja ($\beta = 0.565$), pengurusan perubahan ($\beta = 0.608$) dan budaya ($\beta = 0.587$) dengan $R^2 = 56.9\%$. Ini menunjukkan, perubahan prestasi, budaya dan fokus pekerja sangat penting dalam membentuk kepemimpinan positif dan seterusnya mengembangkan inspirasi organisasi.

Kata kunci: prestasi universiti; kuasa dua separa terkecil; nilai teras

1. Introduction

Measuring the excellence of the organizational performance is important. Ullah (2013) stated that the goal of any organization is not only to survive, but also to sustain its existence by improving performance. There are many factors contribute to it. Many managers and researchers view leadership as the most important or major factor to the organizational success. All organizations measuring their performance to make sure that the organization's performance will continuously improve in order to meet the needs of the market (Arslan & Staub 2013). Prior literature suggests that, the role of leadership is critically important for achieving the performance of organizations (Peterson *et al.* 2003).

Hence, the leadership has impact on how the individual or employee will work. Leadership will become something that motivate or brought the individuals to perform and achieved something. The individual performance will affect the organizational performance, meaning that leadership has its own influence on the organizational performance. Leadership become the first and most critical factor to define the organizational performance. The leadership is viewed as an adaptive solution to the problem of how to coordinate collective action in the service of group goals (van Vugt *et al.* 2008). This proved that leadership is strongly related to the involvement of the employee or meaning it focusing more on employee.

Beside the leadership, the culture also become one of the important factors to the organizational performance. Each organization has their own management style where their origin or the place where the organizations were based on is one of the factors that differ them. The different in the origin of the organization's culture does not mean that the organizations in the same locality will have similar culture. It is also important to know the corporate culture, certain organization or big corporate organization tend to have their own ideology on how to run the business. As an example is in particular, "corporate culture" or "organisational culture" was used to explain the economic successes of Japanese over American firms, through the development of a highly motivated workforce, committed to a common set of core values, beliefs and assumptions (Denison 1984; Furnham & Gunter 1993). Schein (1990) define organizational culture as a pattern of basic assumptions that a group has invented, discovered or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.

There is a relationship between the leadership and culture since both are influence the behaviour of the individuals in the organizations. The ability to lead the organization to become better is depend on many factors, one of the factors is the culture in the working environment. The culture of the organization or to be specific the culture of the employee must be considered as a basis of the study. The best leaders will react and solve the problems with acceptable actions or manners based on the culture of the surrounding environment. Hennessey (1998) suggests that the ability to understand and work within a culture is a prerequisite to leadership effectiveness. Leadership will also be influenced by the culture of the organizations since it relates very much on how the work should be delivered or done. The work's instruction and direction that came from the leadership of the organization will affect the work's culture around the organization itself. It will somehow affect the work performance of individuals involved in the process. This will not only affect the result or performance of the organization, but shape the work's characteristics, ethics and principal in the organization as well. Leadership could be the source of the work's culture in the organization.

Then, there is change management that also has effect on the organizational performance. Organizations have to adapt to any changes on the market to survive or to improve the performance. In order to do that, the organization somehow need to make changes on their management, policy or even their vision. Bass (1985) suggest that leaders need to create new

vision and plan on how to improve the organization's performance that change is accomplished through the leader's implementation of a unique vision of the organization through powerful persuasive personal characteristics and actions designed to change internal organizational cultural forms and substance (Bass & Avolio 1993; Hatch 1993; Porras & Robertson 1992).

Many articles and papers have been written regarding the effect of the leadership to the organizational performance (Bass & Bass 2008; Yukl & van Fleet 1992; Bycio *et al.* 1995; Howell & Avolio 1993). There are also some regarding the culture or change management to the performance. The absence of critical literature exploring the performance implications of the links between organizational culture and leadership is surprising given the numerous references to the importance of the two concepts in the functioning of organizations (see, for example, Fiedler 1996; Schein 1992). This paper will focus in identifying the influence of the leadership to employee focus, organization culture and change management to the organizational performance. Leadership is defined as the first factor that has influence on the employee focus, organization culture and change management. Then, the influences of these three factors on the performance of the organization will be identified.

2. Methodology

Figure 1 shows the framework model for this study. Leadership as the first factor that influence the other three factors. Then, these three factors are related and influenced the result of the organizational performance.

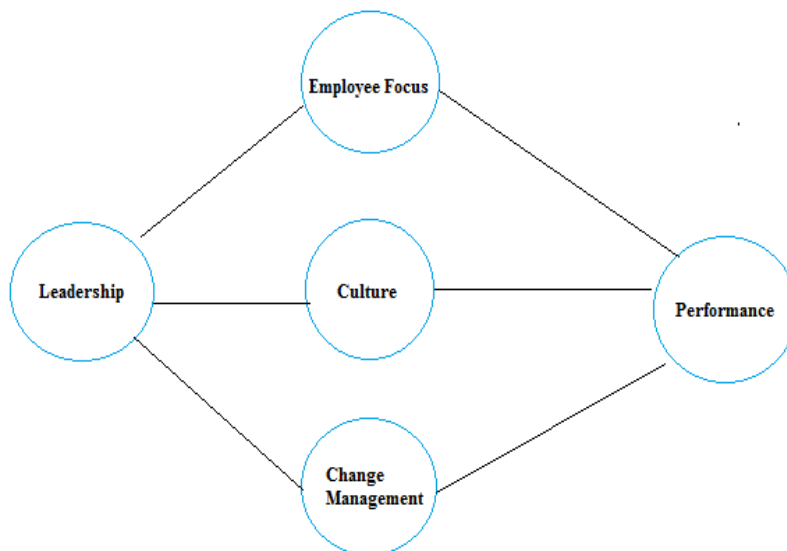


Figure 1: Framework model of the criteria

By using this framework model, the Structural Equation Modeling (SEM) could be done. In this study, the SEM approach has been deployed to identify the influence of the factors, right from the Leadership as the first and other three factors that directly influence the performance. To generate and calculate the findings of the SEM, the software used is SmartPLS. To run the SmartPLS software, the indicators value of all the criteria must be obtained. This indicator's value will be used as the data that will be calculated by the PLS.

Study based on the Value Based Total Performance Excellence Model (VBTPEM) in Higher Education Institutions (HEI) is conducted through a partnership between the Ministry of Education (MOE) and the School of Mathematical Sciences' Research Group, Universiti

Kebangsaan Malaysia (UKM). Assessment instrument was developed to evaluate the performance of university staff based on the perception of its employees to the current achievements at all levels for more comprehensive and integrated.

Questionnaires were distributed in eleven selected public government owned universities in Malaysia accompanied by letters of support from MOE. Data was collected through questionnaires distributed to staff and employees of Grade 41 and above in each university. Information obtained through the questionnaire is essential covering status or position in the university followed by age, length of service and gender. Next, there are four sections in the questionnaire, which represents 11 criteria determined within the framework of conceptual model as listed below:

Part A- The values of the current leadership of the three (Section i, ii and iii) categories of leadership in university as follows:

- i. Management of the university (vice-chancellors and deputy vice-chancellor),
- ii. Management of the faculty (dean and deputy dean),
- iii. Head of the nearest (chairman of the responsibility centers, department heads and program).

For Section iv, Part B to K, the assessment is regarding their perception of the whole university in which:

- PART B - is the value of the objective and strategy,
- PART C - is a communication of cultural values,
- PART D - is a communication of values change management,
- PART E - is a communication of values of resource management,
- PART F - is a communication of values best practices,
- PART G - is a communication of values innovation,
- PART H - is a communication of values productivity,
- PART I - is a part values of staff,
- PART J - is a communication of values stakeholders,
- PART K - is a communication of values of performance.

All the observations and experiences of respondents recorded using an 11-point Likert scale (0 to 10), with a value of 0-2 is very insignificant, 2-4 is insignificant, 4-6 is quite significant, 6-8 and 8-10 are significant is very significant.

This study used a Partial Least Squares (PLS) modeling analysis namely the commercially available SmartPLS software that involving five latent variables, namely the leadership, the employee focus, the change management, the culture and the performance of the university. The software was used to analyze the existence and as well as significance of the relationship between the leadership of the staffs, employee focus, change management, culture and university's performance.

3. Result and Discussion

3.1. PLS Model

Referring to Figure 2, the factor Leadership was set as the datum in which the influence of the other three factors were referred to. It has shown that Leadership influenced the Change Management, Culture and Employee Focus. Then from each factor, they are related or

influenced the organizational Performance. In every factor or criteria, there are several indicators that have their own values.

Figure 1 shows the relation between the Leadership at the start, to the Culture, Change Management and Employee Focus. The selected leadership's indicators value was used to find the relationship of leadership to these three criteria. This value directly resulted the calculated R^2 for the criteria. In total, there were 60 indicators used for all criteria as shown in Table 1.

Table 1: Indicator's value

Criteria	Indicator's Value			
Leadership	L1C	0.771	L7C	0.879
	L2C	0.813	L8C	0.848
	L3C	0.864	L9C	0.900
	L4C	0.890	L10C	0.890
	L5C	0.862	L11C	0.886
	L6C	0.885	L12C	0.868
Change Management	CM1	0.904	CM7	0.889
	CM2	0.456	CM8	0.810
	CM3	0.906	CM9	0.871
	CM4	0.850	CM10	0.873
	CM5	0.901	CM11	0.893
	CM6	0.915	CM12	0.456
Culture	C1	0.734	C7	0.910
	C2	0.866	C8	0.869
	C3	0.883	C9	0.882
	C4	0.872	C10	0.890
	C5	0.903	C11	0.851
	C6	0.886	C12	0.845
Employee Focus	EF1	0.769	EF7	0.895
	EF2	0.848	EF8	0.770
	EF3	0.866	EF9	0.857
	EF4	0.899	EF10	0.852
	EF5	0.815	EF11	0.874
	EF6	0.791	EF12	0.694
Performance	PR1	0.716	PR7	0.845
	PR2	0.716	PR8	0.832
	PR3	0.870	PR9	0.883
	PR4	0.844	PR10	0.917
	PR5	0.850	PR11	0.918
	PR6	0.893	PR12	0.911

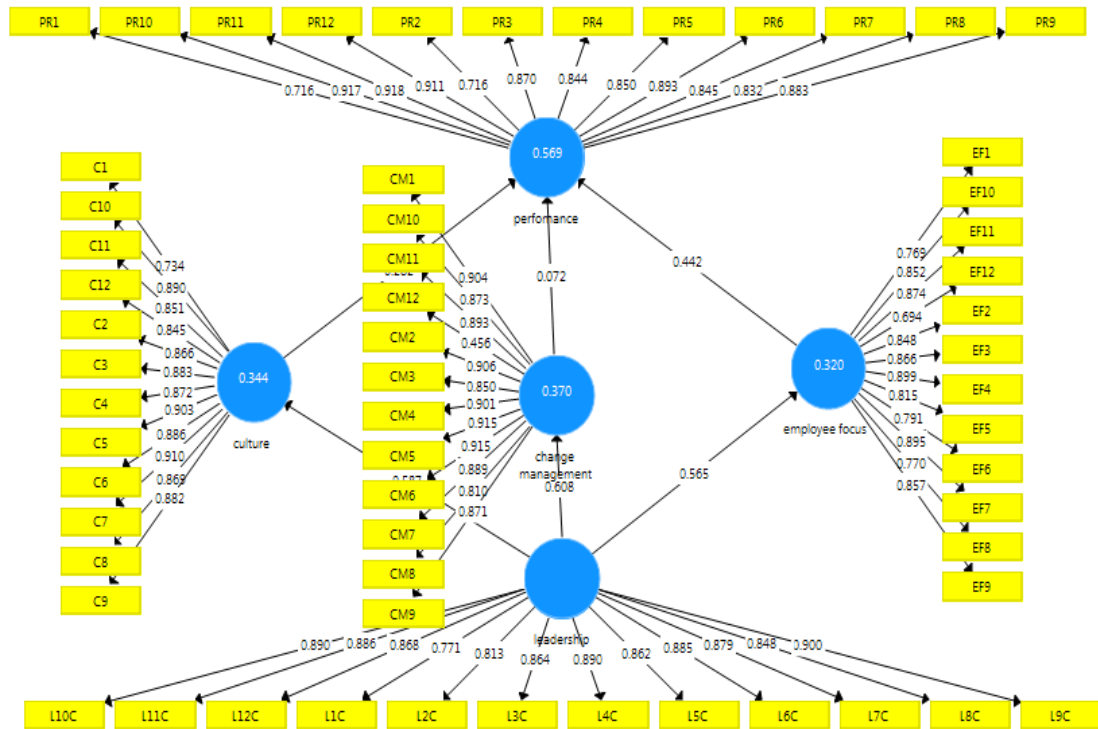


Figure 2: Relationship model between the indicators

3.2. Reliability and internal consistency instruments

Cronbach alpha method was used to test the reliability of the instrument. It was found that all values exceed 0.7 which can be concluded that the reliability of all instruments was satisfactory. In other words, the indicator or the questions included in the survey questionnaire is easily understood by respondents. The Cronbach alpha value for each instrument is shown in Table 2.

Table 2: Cronbach alpha values

Criteria	Cronbach Alpha
Change Management	0.965
Culture	0.970
Employee Focus	0.958
Leadership	0.969
Performance	0.965

3.3. Composite reliability (CR)

The validity of tool or research's instrument refers to the extent to which the instrument can provide responses which represent ideas that are measured. According to Hair *et al.* (2010a), composite reliability (CR) 0.70 or above and an average variance extracted (AVE) greater than 0.50 are considered to support the validity of the instrument.

Table 3 shows that all the CR is more than 0.70, the value of CR for the change of management, the culture, employee focus, leadership, the performance of universities by as much as 0.970, 0.973, 0.963, 0.972, 0.969 respectively. Based on Table 1, for the AVE, all of

variance extracted is more than 0.50. Therefore, the size of this study has the desired validity of the idea.

Table 3: Composite reliability

Criteria	Composite Reliability
Change Management	0.970
Culture	0.973
Employee Focus	0.963
Leadership	0.972
Performance	0.969

3.4. Average variance extracted (AVE)

Based on Table 4, it was found that all the indicators in the leadership, the total value of the square root of AVE is larger than the correlation indicator in the workers and the performance of the university.

Table 4: Average variance extracted value

Criteria	AVE
Change Management	0.735
Culture	0.752
Employee Focus	0.688
Leadership	0.746
Performance	0.726

3.5. Discriminant validity

Table 5 shows that most of the value is greater than 0.5 except the value for between leadership and performance. Excluding that value, most of other values are more than 0.85 with some other ranging between 0.5 to 0.7. Using the Fornell-Larcker condition, it is known that it does not reliably detect a lack of discriminant validity.

Table 5: Discriminant validity value

Criteria	Change Management	Culture	Employee Focus	Leadership	Performance
Change Management	0.857	-	-	-	-
Culture	0.862	0.867	-	-	-
Employee Focus	0.810	0.814	0.830	-	-
Leadership	0.608	0.587	0.565	0.864	-
Performance	0.673	0.703	0.729	0.451	0.852

3.6. Bootstrapping

The *p*-values of the criteria's relationship is obtained by applying the bootstrapping simulation on the SmartPLS software. As shown in Table 6, it was found that the relationship between Change Management to Performance is the only relationship that is not significant whereas all other criteria relationship is significant at 0.05 and 0.01.

Table 6: Bootstrapping value

Criteria's Relationship	Original sample	Sample management	Standard error	t-statistics	p-values
Change Management > Performance	0.072	0.073	0.093	0.766	0.444
Culture > Performance	0.282	0.278	0.100	2.832	0.005
Employee Focus > Performance	0.442	0.446	0.072	6.300	<0.001
Leadership > Change Management	0.608	0.610	0.036	17.124	<0.001
Leadership > Culture	0.587	0.588	0.035	16.813	<0.001
Leadership > Employee Focus	0.565	0.567	0.038	14.800	<0.001

3.7. The R square value (R²)

Table 7 exhibits the R² of all the criteria in the model with reference to the Leadership criterion. Only Performance shows the value of R² more than 0.5. The other three factors have R² values of less than 0.4. It can be concluded that the relationship between the Leadership and the three factors are weak except for the Performance.

Table 7: R² value with reference to the Leadership criterion

Criteria	R Square (R ²)
Change Management	0.370
Culture	0.344
Employee Focus	0.320
Performance	0.569

4. Conclusion

It is shown that not all the criteria have a very good or strong impact on the other criteria. From this study, it was found that Leadership did has impact to Change Management, Culture and Employee Focus but this influence is weak. Moreover, those three criteria, Change Management, Culture and Employee Focus which relate to the organization Performance did has some impact through Leadership.

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