

The Effect of Organizational Culture on Employee Satisfaction through Organizational Leadership Commitment

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Abstract

Purpose - The purpose of this research is to explain the effect of organizational culture directly and indirectly on job satisfaction of sharia bank employees through organizational commitment of leaders.

Design/Methodology/Approach - A set of questionnaires consisting of 3 variables, namely organizational culture, organizational commitment and employee job satisfaction used to collect data from 600 employees of sharia banks in East Java. There are 4 hypotheses developed to be tested concerning the effect. Hypotheses are tested using Structural Equation (SEM) PLS using the Smart PLS tool version 3.2.7.

Findings - The results of the research proved that: There is a significant positive effect on organizational culture on the job satisfaction of sharia bank employees directly and indirectly through organizational leadership commitment.

Research Limitation - This study was conducted on sharia commercial banks only even though the complete sharia banks include sharia commercial banks, sharia business units and sharia people's credit banks, so that these limitations are not a problem for statistical generalizations but are likely to have an impact on analytical generalizations.

Originality/Value - This study examines organizational commitment from a leader's perspective, whereas most research looks at commitment from an employee's perspective.

Keywords: organizational culture, organizational commitment of leaders, job satisfaction

Introduction

The study on organizational culture, organizational commitment and employee job satisfaction is always interesting, important and still relevant today to be studied and researched. The following researchers raised this theme in their research: Huma Abid Alvi et al (2014); Fredy Daniel & Ari Purwanti. (2015); Endang Eviline Giri et al. (2016); Muhhamet Sait Dinc (2017). Huma Abid Alvi et al. (2014); Shah et al., (2012), Shah et al., (2011), Macintosh and Doherty (2010); Akram Fintai Azar (2016); Mandan Momeni et al. (2012); Masoud Ghorban Hosseini (2013).

The reason for taking up this theme conducted in sharia banks is that in recent years, sharia banking has continued to show significant development. According to data from the State of the Global Islamic Economy Report 2017/2018, sharia financial market assets as of 2016 were US \$ 2,202 billion. The potential in 2022 is estimated at 3,783 billion US dollars if it grows 9.4 percent per year. While for the Indonesian sharia

financial landscape, OJK noted that as of July 2018, sharia banking occupies a market share of 36.31 percent with total assets of Rp 443.03 trillion. In total, Indonesian sharia financial assets, not including sharia shares, reached Rp 1,220.12 trillion. While the capitalization of sharia shares is Rp 3,518.4 trillion, (<https://www.republika.co.id/berita/ekonomi/syariahekonomi/18/09/26/pfnoro383-ojk-bidik-p-potential-baru-perban-syariah>)

Sharia banks in Indonesia from year to year always experience an increase including other businesses based on sharia principles. Is the development of Islamic banks in line with the improvement of organizational culture, organizational leadership commitment and job satisfaction of sharia bank employees in East Java?

The relation among organizational culture, organizational commitment, and employee job satisfaction has been widely studied by experts in the field of human resource management and organizational behavior, however, the certainty of the relationship between variables is still unclear. Thus this study seeks to find a clear relationship between variables, especially regarding the relationship between job satisfaction and organizational commitment.

The specific purpose of the research is to explain the direct and indirect effect of organizational culture on employee job satisfaction through organizational commitment of sharia bank leaders in East Java.

The updates of this study are: 1) The scope of this research is broader than most studies in general; 2) Most studies so far have examined conventional organizations/banks, which rarely examine sharia banking; (3) This study designed a new instrument to measure the organizational commitment variables of leaders by emulating the leadership of the Prophet (Prophet Muhammad), namely shidiq, amanah, fathonah, tabligh, in addition to the commonly used indicators.

The study of organizational culture, employee commitment and job satisfaction was carried out by: Azar, A.F. & Avanki, M.J. (2016); Momeni, M. Marjani, A.B. & Saada, V. (2012) by conducting a study on the staffs of the Department of General Prosecutors in Tehran, Iran concluding that there was a significant positive effect on organizational culture with organizational commitment; Gligorović, B. Zoric, K. (2016) conducted a research in companies in Serbia. The results of his research concluded that there was a significant positive correlation between organizational culture and organizational organizational commitment in Serbia. Several studies were also conducted by Shah et al., (2011), Macintosh and Doherty (2010); Huma Abid Alvi, et al. (2014), concluded that organizational culture had a significant positive effect on employee commitment and job satisfaction.

RESEARCH METHODOLOGY

Research Design

This research uses a qualitative approach with the type of descriptive and explanatory research. The closed questionnaire used was designed using a Likert scale with 5 alternative choices from strongly agree (5) to strongly disagree (1). Likert scale is used to measure organizational culture, organizational commitment of leaders, and employee job satisfaction

The Research Model can be described as follows:



Figure 1 Research Model

Population and Sample

Research population of this research is all employees of sharia commercial banks consisting of Muamalat bank, BTN Syariah, Bank Mandiri Syariah, BRI Syariah, BNI Syariah in East Java, who have worked for over 3 years in the hope that they will understand the organizational culture and organizational commitment leader. Sampling is done in multi-stage. The first stage is to determine the sample area, 6 regions were determined purposively: Malang, Pasuruan, Tulungagung, Blitar, Probolinggo, and Kediri. Secondly determine the number of samples for each region in a quota of $30 \times 6 = 600$ employees. The third stage determines the individual sample determined by simple random sampling.

A survey questionnaire was applied in this research, for organizational culture variables there is 24 question items; organizational leadership commitment has total 7 question items; employee job satisfaction has total 11 question items.

After the data is collected, data analysis applied Structural Equation Modeling PLS analysis technique, using the Smart PLS tool version 3.2.7.

Result

Sample Characteristics

From the sample collected, the majority of respondents are 58% male, aged 26-30 years (37%), majority (34%) working 5-10 years, majority (59%) had an undergraduate education, majority (46%) working in marketing.

1. Descriptive Analysis

1.1. Organizational Culture

Organizational culture is measured by 16 indicators, the average score of items on all indicators ranging from 2.059 to 4.828 gives an illustration that the culture of sharia bank organizations is perceived strongly by employees. The weaknesses in people orientation indicators include not perceiving the benefits of the job, not being able to achieve the target work, management is considered less attention and feel less independent in completing work tasks. While weaknesses in the indicators of aggressiveness include lack of being active in carrying out the tasks that are the responsibility, being late in coming or completing tasks, and not understanding the implementation of the tasks in the office.

1.2. Organizational Commitment of Leaders

Organizational commitment is measured by 7 indicators, the average score of items on all indicators ranging from 4.112 to 4.726 gives an illustration that the organizational commitment of the leader is highly perceived. Among the indicators that are considered very good is tabligh. Excellence in tabligh indicators, among others, employees assess the leader always recommends to work professionally, do not do evil, and always try to communicate ideas to employees rationally and responsibly. The less score is a sustained commitment, although it still includes a high category.

1.3. Job Satisfaction

Job satisfaction was measured from 11 indicators, the average score of items on all indicators ranging from 4.135 - 4.543 gives an illustration that employees have high job satisfaction. Among the indicators of job satisfaction that are considered very high include: supervision, interpersonal relationships and working conditions. Although the average employee job satisfaction is high, there is the lowest score, which is the recognition and administration of the organization.

Validity and Reliability Test Results

The results of the validity and reliability test of the instrument are presented in tables 1 and 2 below:

Table 1. Results of Discriminant Validity

Construct	AVE	Job Satisfaction	Organizational Leadership Commitment	Organizational Culture
Job Satisfaction	0.548	0.740		
Organizational Leadership Commitment	0.548	0.451	0.740	
Organizational Culture	0.519	0.338	0.441	0.721

Note: The coefficients on the diagonal section are the roots of AVE; The coefficient outside the diagonal is the correlation coefficient between constructs; AVE = Average Variance Extracted.

Table 2. The Results of Composite Reliability

Construct	Alpha Cronbach	Composite Reliability	Result
Sharia Bank Employee Performance	0.885	0.910	Reliable
Job Satisfaction	0.905	0.922	Reliable
Organizational Leadership Commitment	0.857	0.893	Reliable
Organizational Culture	0.914	0.928	Reliable

The reliability test results showed that all constructs had a composite reliability coefficient of more than 0.70. Thus, all measurement models used in this research already have high reliability. So that further analysis can be done by examining the model's goodness of fit by evaluating the inner model.

2.3. Model Match

The structural model compatibility in the inner model uses the GoF (goodness of fit) value to measure how well the model is produced. The amount of GoF has a range of values 0 - 1, the closer to 1 means the better the model. A GoF value of more than 0.33 explains a good model match. The suitability of other models can be assessed from several calculations such as the coefficient of determination of the model (R^2). The coefficient of determination of the model is calculated by using all the coefficient of determination (R^2) in the model. Here are the results:

Table 3. Goodness of Fit (GoF) Index

Variable	Communality	R^2
Job Satisfaction	0.548	0.227
Organizational Leadership Commitment	0.548	0.195
Organizational Culture	0.519	-
Total	2.178	0.963
Average	0.545	0.321
(GoF) Index	0.418	

Note: The value of communality is taken from the value of AVE

The GoF index for this research model is 0.418. Thus, the structural model that explains the relationship between the five variables has good predictive power (fit).

The following table is a correlation matrix between variables. The results of the analysis can be seen in Table 4 below:

Table 4. Correlation Matrix Between Variables

Construct	Performance of Sharia Bank Employee	Job Satisfaction	Organizational Leadership Commitment	Organizational Culture
Job Satisfaction	0.707	0.740	0,375	
Organizational Leadership Commitment	0.429	0.451	0.740	
Organizational Culture	0.419	0.338	0.441	0.721

In the hypothetical model, the organizational leadership commitment and job satisfaction act as mediators in the relationship of organizational culture to employee performance. The correlation coefficient of organizational culture on organizational leadership commitment and job satisfaction is 0.441 and 0.338.

Table 5. Test Results for the Path Coefficient on the Inner Model

Relation	Path Coefficient	Standard Error	Statistic t	P
Organizational Culture -> Organizational Leadership Commitment	0.441	0.032	13.997	0.000
Organizational Culture -> Job Satisfaction	0.172	0.040	4.307	0.000
Organizational Leadership Commitment -> Job Satisfaction	0.375	0.040	9.470	0.000
Organizational Leadership Commitment -> Job Satisfaction	0,375	0.040	9.470	0.000

Note: ns = $p > 0.05$; * = $p < 0.05$

Table 5 explains the relationship between variables as follows:

1. Organizational culture towards organizational leadership commitment has a coefficient with a positive direction. The calculation results show that the path coefficient of 0.441 with a t-statistic of 13.997 ($p = 0.000$) provides the decision that organizational culture has a significant effect on organizational leadership commitment. (H1 received)
2. Organizational culture toward job satisfaction has a coefficient with a positive direction. The calculation results show that the path coefficient of 0.172 with a t-statistic of 4.307 ($p = 0.000$) provides a decision that organizational culture has a significant effect on job satisfaction. (H2 received)
3. Organizational leadership commitment toward job satisfaction has a coefficient with a positive direction. The calculation results show that the path coefficient of

0.375 with a t-statistic of 9,470 ($p = 0,000$) provides a decision that organizational leadership commitment significantly affects job satisfaction. (H3 received).

4. The effect of organizational culture on job satisfaction through organizational leadership commitment, the effect of 0.102; standard error of 0.015 and t statistics of 6.565, p of $0.000 < 0.05$. (Hypothesis 4 is accepted).

Discussion

1. The Effect of Organizational Culture on Organizational Commitment

The results of this research prove that organizational culture has a significant positive effect on organizational leadership commitment. The results of this research are supported by the results of the one conducted by Jelena Vukonjanski, Terek, Bojana Gligorović, Katarina Zoric (2016). They conducted research on several companies in Serbia. The results of the research concluded that there was a significant positive correlation between organizational culture and organizational organizational commitment in Serbia. Some other research results, including: Huma Abid Alvi et al. (2014); Some studies such as Shah et al., (2012) Reenyowijoyo (2003) Shah et al., (2011), Macintosh and Doherty (2010), Huma Abid Alvi, et al. (2014), prove that organizational culture has a positive and significant effect on organizational commitment.

2. The Effect of Organizational Culture on Employee Job Satisfaction

The results of this research prove that organizational culture has a significant positive effect on employee job satisfaction. Colin Silverthorne, C. (2004) prove that organizational culture plays an important role to increase job satisfaction and organizational commitment to organizations in Taiwan. The results of this study are also supported by several research results, including: Huma Abid Alvi et al. (2014); Yunus Handoko et al. (); Shah et al., (2012), Sangaji (2009), Renyowijoyo (2003) Shah et al., (2011), Macintosh and Doherty (2010).

3. The Effect of Organizational Culture on Employee Performance

The results of this research prove that organizational culture has a positive and significant effect on employee performance. The results of this research are supported by several research results, including: Ekpenyong Nkereuwem Stephen et al (2016); Mohd Faizal Mohd Isa (2016); Mashal Ahmed & Saima Shafiq (2014); Masoud; Ghorban hosseini (2013); Adeel Akhtar et al. (2015); Stephen, A.E (2016).

4. The Effect of Job Satisfaction on Employee Performance

The results of this research prove that employee job satisfaction has a positive and significant effect on employee performance. The results of this research are supported by several research results, including: Tamriatin Hidayah et al. (2018); Adeel Akhtar et al. 2015; K. Nath Gangai & R. Agrawal, 2015; Adeel Akhtar et al. 2015; Endang Eviline Giri et al. (2009); Kumari Madhuri (2014); K. Nath Gangai & R. Agrawal (2015); Daniel, F. Purwanti, A. (2015).

5. Effect of Organizational Commitment on Employee Job Satisfaction

The results of this research prove that the organizational leadership commitment has significant positive effect on employee job satisfaction. The results of this research support some research results: Yousef, D. & Yousef, A. (2017); Ismail, A. (2016);

Madhuri, K. (2014); Demirtaş. Z. (2015); Ismail, A. (2016); Daniel, F & Purwanti, A. (2015); (2017); Zülfü Demirtaş. (2015).

Conclusion

The results of this research prove that the culture of Islamic bank organization is perceived strongly. Organizational leadership commitment is high, employee job satisfaction is categorized high. Organizational culture has a significant positive effect directly and indirectly on employee job satisfaction through organizational leadership commitment. This study is based on employees of sharia commercial banks only, whereas complete sharia banks include sharia commercial banks, sharia business units and sharia people's credit banks, so that these limitations are not a problem for statistical generalizations but may impact analytical generalizations.

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