Performance Excellence by Transformational Leadership in Developing Collectivistic Culture for Indonesian Companies

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ABSTRACT
To survive in the competitive business world Indonesian companies must stand out in performance standards by emphasising performance excellence. The purpose of this paper is to find a suitable model which Indonesian companies can implement to improve their performance standards. Research indicates there is a relationship between Transformational Leadership and Collectivistic Culture, and to a relationship between Collectivistic Culture and Employee’s Satisfaction. The sample of Indonesian employees used in this study confirms this relationship and reaffirms the importance of Transformational Leadership and Collectivistic Culture for Indonesian employees.

Keywords: Performance excellence, competitive advantage, transformational leadership, collectivistic culture

INTRODUCTION
With the rapid changes in business world, companies are expected to maintain their competitive edge. In Indonesia local companies are expected to compete not only with fellow local companies but also with foreign companies. To survive and thrive Indonesian companies therefore need to adopt good strategy and high performance standards.

Strategy and performance are not easily devised, many factors can affect the course of strategy and the result which is performance. Business practitioners are facing changes in their daily routine because the business world is always changing. Competitors rise and fall, customers are changing, the market is changing, and some business models can quickly become obsolete.

To face the challenges a business firm must be able to react and respond quickly or even better if the company can lead the changes. Performance Excellence is a standard many firms are trying to realise.
One of the key to leverage performance is Sustainable Competitive Advantage (SCA) but in real business world, this is hard to be obtained. External factors are always changing, technology is improving, people changes, information flow is changing, and regulations are also changing.

Rather than relying on the advantages that comes from external factors, one thing that companies can resort to is internal resources. One asset that every company possess but sometimes taken for granted is the humans inside or better called as employees.

Humans are the one who devise strategies, operate the business, execute strategies, and relate with customers. Good technology can bring companies to some high, but in the end it is humans who make decision, utilize the technology, and build relationship with customers.

To cope with the changes and competition, good human capital is needed. One of the way in building good human capital is by embedding suitable organization culture and application of suitable leadership style. This factors can add to employee satisfaction which is a problem in Indonesia. Based on a study by Accenture, only 18 percent Indonesian workers are satisfied with their job. This is a problem that must be taken seriously by Indonesian organizations in order to achieve performance excellence.

The relationship between Job Satisfaction and Job Performance has been researched from time to time and previous researches confirmed the correlation as showed in researches by Bateman and Organ(1983); Judge et al. (2001); Schleicher et al. (2004) and Platis et al. (2015). These researches that was conducted on different decades showed correlation between Job Satisfaction with Job Performance which is why the correlation is undoubted. In order to achieve performance excellence, organizations must ensure their employees’ satisfaction.

Employee Satisfaction is affected by organization culture, in which organization culture positively affect employee satisfaction as found by Sempane et al. (2002), and Belias and Koustelios (2014). Another finding suggested that organization culture must be aligned with employee’s personal values as stated by Sadri and Lees (2001). Since Indonesia is a collectivistic country, it is logical to conclude that Collectivistic culture should be the organization culture in Indonesia.

In the changing nature of business, changes are usually happening in organizations. Transformational leadership style which is characterized with changes has the nature of coping and shaping organization changes. Leadership also shapes organization culture as found by Meehan, Gadiesh, & Hori (2005) and Madu (2012). Tuna et al. (2011) also found that Transformational leadership can shape collectivistic nature. Based on the characteristics in coping with changes and shaping collectivistic, Transformational leadership will be one of the focus in this paper.
Jandeska and Kraimer (2005) found that women are more suitable in collectivistic culture. The number of women employees is significant in an organization which is why it is important to be researched on.

The purpose of this paper is to find the applicability of Transformational Leadership and Collectivistic Culture for Indonesian organizations. Since the relationship between Employee Satisfaction with Performance is undoubted, as proven by previous researches, the focus of the paper is the human capital aspect that is Employee Satisfaction nurtured by suitable organization culture (Collectivistic), shaped by suitable leadership style (Transformational). To strengthen the argument of this paper, the model will be tested by sampling Indonesian employees to show the effect of Transformational Leadership towards Collectivistic Culture, and the effect of Collectivistic Culture towards Employee’s Satisfaction moderated by Gender.

The research question that want to be solved in this paper are:

1. Is there a correlation between Collectivistic Culture with Employee Satisfaction in Indonesia?
2. Is there a correlation between Transformational Leadership with Collectivistic Culture in Indonesia?
3. Is gender a moderating variable between Collectivistic Culture and Employee Satisfaction?

LITERATURE REVIEW
Balridge Glossary stated that:

“The term “performance excellence” refers to an integrated approach to organizational performance management that results in (1) delivery of ever-improving value to customers and stakeholders, contributing to organizational sustainability; (2) improvement of overall organizational effectiveness and capabilities; and (3) organizational and personal learning” (Simamora, 2013).

Based on the definition, the term “performance excellence” includes an integrated approach to management with organizational level affect.

Barney (1995) stated that sustained competitive advantage can be obtained through looking internally and exploit the resources. This research claimed that internal resources can be exploited and shaped into competitive advantage. This means that companies may also look for the corporate culture in order to gain competitive advantage. Strong and unique corporate culture is hard to imitate and can prove to be a sustainable competitive advantage. Building internally for competitive advantage is possible and corporate culture is the catalyst to build competitive advantage by building company’s internal resources. This statement is supported by Bradt (2012) who stated that corporate culture is the source of sustainable competitive advantage. This statement that came from a professional
practitioner of management provide insight that even from practitioner’s perspective and experience, corporate culture can be sustainable competitive advantage. Meehan et al. (2005) stated that organizational culture can be a source of competitive advantage and leadership is needed for the changes in culture. This statement strengthens the previous statement and added an aspect which is leadership as an important factor. Madu (2012) also stressed that leadership is important in shaping organizational culture as driver of competitive advantage, leadership failure can cause organizational failure. These findings provided strong argument that from practitioner and academic side, both recognized that organizational/corporate culture can become competitive advantage. Leadership is also recognized as an important factor in shaping corporate culture in becoming competitive advantage. Leadership is important because organizational culture is shaped by leadership. It is Leadership that direct and build organizational culture. If the Leadership is weak then the organization is vulnerable and the culture might not be fully embraced by the employees.

Brown, McHardy et al. (2011) found that employers may exert influences in employees’ commitment that in turn can increase work performance. Employers are usually the owner or even founders of organizations and often act as the leader. The research showed that these employers have influence on employee’s commitment that can increase work performance. Tuna et al. (2011) found that transformative leadership can increase employee’s commitment and build collectivistic nature. Leadership style of course influence the organization, and transformative leadership which is characterized with bringing changes and effective communication is shown to have positive effect on employee’s commitment. The research also found that transformative leaders also tend to build collectivistic nature in their organization. This finding suggested that collectivistic nature can be built by a leader who possessed Transformational Leadership style. Based on the finding, transformational leaders not only bring changes but also encourage the subordinates to be more collective.

The number of women employees are increasing and becoming important part of the company. Jandeska and Kraimer (2005) found that women are more triumphant in collectivistic culture. Women are more open to cooperation and are more willing to form a group in finishing tasks. When women are working in Masculine organizational culture, they are shown to be less satisfied. This might happen because they feel that their needs of cooperation and social interaction are limited by the condition of their workplace. This can cause stress and unwanted pressure to the women. The research suggested that women should be working in organisation with collectivistic culture because they can express themselves more. Previous research by Earley (1993) found that collectivists perform more when they perceive that they are in-group. Collectivists are more willing to cooperate and build social interaction among employees. When this is accommodated by
their environment, they will feel accepted and might increase their satisfaction. When the collectivists are working in company with non-collectivistic culture, they might find that their need of cooperation and social interaction are not met, thus they feel alienated. The alienated feeling can cause the employee to get distracted from the job and reduce the engagement to the company. Women are more collectivist than men, which is why women are more perceptive about co-workers’ acceptance. So, collectivistic culture is more suitable for women. This finding can be aligned with the previous finding to become an argument that transformational leadership is more suitable for women because transformational leadership usually build collectivistic nature in the organization and women are more triumphant in this culture. Milne (2007) stated that team or group is becoming more common in workplace and it is up to the manager (leader) to effectively manage the reward in order to maintain motivation. When managing and leading an organization, team or group work is a common occurrence and the leader must be effective in managing the motivation. The nature of team or group is of course collectivistic and this finding showed that leadership is still important in managing the collectivistic of the organization in maintaining certain level of motivation. Sadri and Lees (2001) found that in order to shape culture into competitive advantage, the culture must be positive and aligned with employees’ values and environmental condition. This empowers the previous arguments that collectivistic culture can be shaped into competitive advantage. With the increasing number of women employees, their preference on collectivistic culture, and the common occurrence of groups in workplace; collectivistic culture is the most suitable culture to be the competitive advantage. Of course to be able to do so, good leadership is needed and transformational leadership is the most suitable one since the leadership style nurture collectivistic.

Sempane et al. (2002) found that there is a positive correlation between organization culture and job satisfaction. Belias and Koustelios (2014) stated that there is a significant relationship between organization culture and employee’s job satisfaction. Both findings suggested that employee’s satisfaction may differ according to the organizational culture of their companies. Culture has impact on employees’ satisfaction because culture is important as it dictates behaviour and decision making in the workplace. When employees find that they are unsuitable with the culture, they will find hard times in performing their job. The satisfaction of the employees can also be affected and damaged when they are working in unsuitable culture. Previous researches showed the importance of organizational culture to employees’ satisfaction. This might also be the case for Indonesian employees, the organizational culture of Indonesian companies might also affect the satisfaction of Indonesian employees. Heskett et al. (1994) stated that customer satisfaction is affected by value that is created by satisfied employees. Customer satisfaction is important in
creating and maintaining loyalty and it comes from the satisfied employees who provide values for the customers. To create customer satisfaction, it is essential for the employees to perform better on their job. Employees will only perform better on their job if they are satisfied about their job. This way, they feel engaged and are willing to go the extra mile in performing their job.

Tushman and O’Reilly (1997) stated that organization culture can encourage innovation and can also hinder it. Organization culture may encourage employees to propose ideas and try new things in order to create innovation. On the other hand, it can also discourage employees from trying to propose ideas, instead prefer to take the safe way. Mallinger et al. (2009) stated that organizational culture can affect employee’s willingness to accept changes. Not only innovation is affected by organizational culture, the willingness to accept changes is also affected by organizational culture. Innovation sparks changes and to be successful, changes must be embraced by both the management and the employees. In order to ensure good innovation, it is important that the leadership is strong and the culture can accommodate innovation. Innovation bring changes in many aspects and employees are the one who execute and feel the changes. When employees are not adaptable to the changes, there are risks that can happen. This can affect the employees’ performance and of course company’s performance. In order to successfully embrace innovation, the employees must be satisfied with their job, they must also be engaged. When the employees are engaged to the job or the company, they will be willing to accept changes as they realize that the innovation is important for the company.

Based on the above arguments a research model was built to test the construct built by literature review in order to justify the relationship between Transformational Leadership with Collectivistic Culture, and the relationship between Collectivistic Culture with Employee Satisfaction. The function of this test is to justify the applicability of this research in Indonesian business world. The research model that will be tested in this research is:

![Figure 1. Framework Research Model](image-url)
Hypotheses

To answer the research questions, three hypotheses are proposed:

**Hypothesis 1**: Transformational Leadership has significant correlation with Collectivistic Culture

**Hypothesis 2**: Collectivistic Culture has significant correlation with Employee Satisfaction

**Hypothesis 3**: Gender is a moderating variable between Collectivistic Culture and Employee Satisfaction

RESEARCH METHODOLOGY

Framework

Based on previous researches, good human capital can lead company to performance excellence. Organization culture is one of the source that can be the driver of competitive advantage. Developing organization culture is not an easy task, it also needs long time to be able to develop a new culture. Thus, when a company possess organization culture that is suitable for competition, it can drive their human capital to be the sustainable competitive advantage. Competitors will have harder times in imitating organization culture because building organization culture can take years or even decades. From this point of view, a strong organizational culture can already be a sustainable competitive advantage because competitors might not be able to copy it.

Previous researches highlighted the importance of leadership in developing organization culture. The nature of organization culture is top-down, where employees are following the examples and rules of the leaders. Organization culture usually built by the founders of the company and embraced by the employees. Organization culture can also be built by the leaders of the company by influencing their subordinates to embrace and practice the culture. This is why strong leadership is needed in order to develop a good organization culture. Not only the strength is important but, the leadership must also be suitable with the situation where the company operates.

Review on previous researches showed that collectivistic culture is suitable for collectivists. Indonesian people are collectivists because it is in the culture of the country. Based on this fact, the collectivistic culture might be suitable for Indonesian business world. Indonesian society is collectivistic and tasks are usually completed in group based. This collectivistic culture that has been integrated into the society shape the way Indonesians behave and view tasks. Considering this fact, the best culture that should be implemented for Indonesian company is the collectivistic culture. The collectivistic culture also supports teamwork, with the increasing number of tasks being performed in group within organizations, collectivistic culture is more suitable. Another supporting reason is the increasing number of women employees. Previous researches showed that women are more comfortable and perform better
in organization with collectivistic culture. These findings are important because the number of women employees is growing from time to time. With their significant number, women employees can determine the overall performance of the company. By understanding this, the company must support their women employees in achieving good performance. To support their women employees and in line with the country’s culture, Indonesian companies should adopt the collectivistic culture.

In order to create strong and effective collectivistic culture, good and strong leadership is needed. Transformational leadership style is suitable for the task. Transformational leadership is characterized with changes, charisma, and personalization. The leadership style also encourages collectivistic among employees. With the rapid changes in business world and competition, organizations must always be ready to change itself. Transformational leadership style is suitable for the task. Transformational leadership is also known for the effect on personalization to employees, because the leadership style can inspire employees, increase their commitments, and develop them. When the leader is inspiring the employees, the employees will be more willing to accept and follow the leader. This can encourage employees to be more embracing towards the leader’s strategies. By increasing employees’ commitment, leaders can ensure that the employees are willing to follow the strategy of the leader. Development is important and people like self-development. When the leader encourages development, employees will be willing to accept changes that the leaders bring because they perceive that the changes are necessary for their self-development.

Innovation and changes are required for organizations to keep being competitive. This is the reason why collectivistic culture must be combined with transformational leadership. Transformational leadership is characterized with the changes, the improvement that is encouraged by the leadership style. This improvement is needed to keep the company competitive. Transformational leadership must be applied by top management and also middle level management. This is done while keeping the culture collectivistic. Innovation and change can be inspired by the transformational leaders while the subordinates will be encouraged to accept and adapt to changes by the communication skill of transformational leaders. While accepting and adapting to changes, collectivistic culture will help employees because they are helping each other and performing together. Changes can be better embraced when it is performed together, an employee can better accept changes when the employee perceive that co-workers are also accepting the changes.

One of the factor that can increase customer’s satisfaction is employee’s satisfaction. Satisfied employees are performing better and more committed to the job, the result is customer’s satisfaction. When the employees are satisfied with the
job, they are willing to perform the extra miles because they are engaged with the job and the company. When they are engaged, they will ensure that their customers are also satisfied. So, one of the way to make the customers satisfied is by satisfying the employees. Previous researches showed that organization culture can affect employees’ satisfaction. Indonesian employees are living in collectivistic society and are being taught about collectivistic since elementary school. Since early school years, the theme of collectivistic has been embedded in the curriculum and being taught to children. Even in their neighbourhood, Indonesian children are being taught by their parents and neighbours about collectivistic. This is the reason why Indonesian are collectivists and like to perform things in group. If they find different culture in workplace, they might get confused or uncomfortable because of the differences with their daily lives. When the culture of workplace is different with the culture of daily lives, employees will need time to adjust. Sometimes, after putting effort in adjusting to the culture, employees might find themselves unsuitable with the culture. This can create confusion and alienated feeling. As shown in previous research, collectivists are performing better when they perceive that they belong to the group. Indonesian are collectivists thus it is important for Indonesian employees to perceive that they belong to the group in their workplace. This is why collectivistic culture in Indonesian companies may support employee’s satisfaction because they find similar culture between their daily lives and their workplaces.

Developing organization culture and maintaining it is just a part of the way to develop human capital. Another part of the way is the recruitment. New employees often find themselves suitable or unsuitable for the company based on the culture of the company. When an employee resigned from the position, finding a replacement is costly. Moreover, when the training and development cost is taken into calculation. This is why good recruitment is important. When recruiting new employees, recruiter must make sure that the employees are suitable with the company. Good assessment must be made by recruiters that not only regarding competencies but can also include culture, values, and personality of the candidates. This is important in making sure that the new employee is suitable for the company and the new employee also feels suitable. Development plan can be started from the recruitment process, because when good assessment is made, recruiters can profile the new employees and develop projection of the development. Currently many Indonesian companies are recruiting simply based on competencies and capabilities without regarding the culture, values, and vision suitability. This common practice must be changed in order to increase the effectiveness of recruitment. As stated before, organization culture can affect employee’s satisfaction. This is the reason
why new employees must be comfortable with company’s culture because it can affect satisfaction, commitment, performance, and ultimately customers’ satisfaction.

**Sampling**

The sampling technique will be performed using Snowball Sampling method. Since the population of this research is Indonesian professional employees, samples are selected from the author’s network that include professionals ranging from Junior level to Management level in different industries. The size of the companies ranging from small companies with less than 50 employees to large companies with more than 5000 employees. The sampling does not discriminate the size or industry because the purpose of the study is to understand the effect on Indonesian employees in general. In order to generalise, sampling results are sorted and selected to include different industries.

**Analysis Method**

The model was tested using Regression analysis to understand the correlation of one variable to another. The main purpose of the testing is to understand the effect of transformational leadership in building collectivistic culture, and the effect of collectivistic culture to Employee’s Satisfaction regarding the job. The result is expected to support the hypotheses built based on literature review and observation on Indonesian real world business practice.

**RESULTS AND DISCUSSION**

Questionnaires are used to gather data, 300 questionnaires are sorted and selected. 135 samples are males and 165 samples are females, with 120 samples from management level and 180 from non-management level. The samples were tested using Regression method to find the relationship between one variable to another. In order to be able to perform the regression analysis on the variables, Likert-scale was used in the questionnaires to measure the degree of perceived Transformational Leadership, Collectivistic Culture, and Employee Satisfaction.

Regression analysis showed that Perceived Transformational Leadership has an R square of 0.538 towards Perceived collectivistic culture. This result showed that the degree of Perceived Transformational Leadership accepts the degree of Collectivistic Culture in an organization. The influence of Transformational Leadership is 53.8% towards the Collectivistic Culture which is significant.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Regression result for Transformational Leadership to Collectivistic Culture</th>
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<tbody>
<tr>
<td>Regression Statistics</td>
<td></td>
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<tr>
<td>Multiple R</td>
<td>0,733823</td>
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<tr>
<td>R Square</td>
<td>0,538496</td>
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<tr>
<td>Adjusted R Square</td>
<td>0,536947</td>
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<tr>
<td>Standard Error</td>
<td>0,729677</td>
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<tr>
<td>Observations</td>
<td>300</td>
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</table>
Perceived Collectivistic Culture has an R square of 0.55 towards Employee Satisfaction. This showed that the higher the perceived Collectivistic Culture in an organization, the higher the Employee Satisfaction. Gender also acts as a moderating variable as shown in Regression results. For Male employees, Collectivistic Culture has an R square of 0.40 towards Employee Satisfaction while for Female employees the R square is 0.63. The difference is relatively big which shows there is a difference between Male and Female.

Based on the Regression, hypotheses 1, hypotheses 2, and hypotheses 3 are all supported. This shows that the findings of previous researches are compatible with Indonesian employees.

The results of Regression analysis showed support to the arguments built by reviewing literature. While the method is simple, the purpose of the testing is to empower the arguments constructed based on literature review. This shows that although previous researches are conducted on different countries, Indonesian employees have relatively similar traits in being affected by the Transformational Leadership and Collectivistic Culture. The result can be used as a base to spark further research on the matter.

Indonesian employees are more satisfied with collectivistic culture; this means that the employees are more suitable with the culture that is similar with their country’s culture. If a company can provide a workplace culture that is similar with the culture of the country, employees will be effortless in assimilating...
to the culture. As the result shows, this is beneficial because the satisfaction is affected by the culture.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the test of the research model, there is a relationship between Transformational Leadership with Collectivistic Culture, and there is a relationship between Collectivistic Culture with Employee’s Satisfaction while Gender is a moderating variable. These results serve as the first step in exploring further into the model explained in this paper. From the results, we can gain insight that Collectivistic Culture is relatively suitable for Indonesian employees and further exploration must be done in order to further justify the statement.

Answers to the research questions posed in this paper indicate a positive correlation between Collectivistic Culture and Employees Satisfaction in Indonesia, and there is a positive correlation between Transformational Leadership with Collectivistic Culture in Indonesia. It is expected that by building Collectivistic Culture through Transformational Leadership, the problem of employees’ satisfaction in Indonesia can be solved to a degree.

Recommendations

In order to reach performance excellence through human capital, Indonesian companies can apply these steps:

1. Apply transformational leadership style in all level to cope with changes, being innovative, and build collectivity
2. Adopt collectivistic culture because it is more suitable with Indonesian culture
3. Maintain collectivistic culture starting from recruitment by selecting new employees that are suitable with the culture
4. Build good HRIS that can support and monitor employees’ development.

These steps are expected to enable Indonesian companies to achieve performance excellence. If these steps are applied effectively, hopefully it can provide company with sustainable competitive advantage, increase organization effectiveness, capabilities, and increase customers’ satisfaction.

REFERENCES


Transformational Leadership


