

## Strategic Organizational Performance at Electric Company in Indonesia

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### Abstract

The goal of the study is to examine how organizational performance is impacted by transformational leadership and strategic organizational change management, with organizational environment serving as a mediating element in Indonesia's electricity state-owned enterprises. This is a quantitative, non-experimental study conducted between October 2022 and January 2023 in the divisions of PLN Head Quarter, as well as its subsidiaries and affiliates, with 1.429 respondents. SPSS and LISREL are used to do the analysis. According to research, both strategic organizational change management and transformational leadership styles have a positive and significant impact on organizational climate, with strategic organizational change management having the most significant impact. Organizational climate, strategic organizational change management, and transformational leadership all have a positive and significant impact.

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## INTRODUCTION

The governance structure presents a framework for allocating responsibilities and resources to achieve organizational performance, whereas corporate strategy provides a blueprint that directs the direction of an organization (Omar and Kilika, 2018). As a result, corporate strategy is crucial to the operation of an organization. In other words, how effectively an organization achieves its goals can be used to assess organizational performance (Ebongkeng, et al., 2018). Organizational performance refers to the actual outcomes and outcomes that are compared to specified goals (Omar and Kilika, 2018).

A crucial element of successful organizations is their organizational atmosphere (Ojiabo and Alagah, 2018). Employees' subjective assessments of how their working environment impacts them personally are referred to as the organization's climate by means of effective leadership (Glisson, 2017).

Organizational commitment was identified as an intervening variable that can indirectly influence organizational climate variables on employee performance and leadership style variables on employee performance in Kristianto, Rivai, and Suharto's (2018) study on the impact of leadership style and organizational climate on employee performance with mediation. In their 2018 study, Ayodotun, Maxwell, Oladele, Hezekiah, Taiye, and Olamide explored the moderating effects of organizational climate on task-trait leadership orientation and employee commitment. They discovered that managers

must focus on organizational processes and leadership quality because organizational climate factors are crucial for enhancing the relationship between leadership style and employee commitment.

This study was carried out at the National Electricity Company (PLN), one of the State-Owned Enterprises (BUMN), which has the greatest total assets, or Rp1,402 trillion, the most employees (63,376), and the highest operational income (Rp273 trillion) (PLN Outlook, 2018). Given the foregoing context, the following formulation of the research problem is possible:

- a) Is there an effect of the Transformational Leadership Style on Organizational Climate?
- b) Is there an effect of Strategic Organizational Change Management on Organizational Climate?
- c) Is there an effect Transformational Leadership Style on Organizational Performance?
- d) Is there an effect Strategic Organizational Change Management on Organizational Performance?
- e) Is there an effect Organizational Climate on Organizational Performance?
- f) Is there an effect Transformational Leadership Style and Strategic Organizational Change Management on
- g) Organizational Climate?
- h) Is there an effect Transformational Leadership Style, Strategic Organizational Change Management and
- i) Organizational Climate on Organizational Performance?
- j) Is the mediating effect of Organizational Climate increase the effect of Transformational Leadership Style on organizational performance?
- k) Is the mediating effect of Organizational Climate increase the effect of Strategic Organizational Change
- l) Management on organizational performance?

## **LITERATURE REVIEW**

### **Organizational Performance**

Performance is a very complex concept that needs to be considered and assessed so that it can achieve the desired goals in the future better and more effectively by achieving actual results (Jyoti J., 2015). Improving organizational performance is the focus of each manager and its success in improving organizational performance is very important for organizations to establish a comprehensive measurement index set by the company (Tseng and Lee, 2014).

Competent employee performance is a crucial factor in organizational performance because it is a key factor driving the company's wheels to face competitive challenges (Almatrooshi, Singh, and Farouk 2016). Organizational performance is a key aspect in many studies in the management literature because it plays an important role in developing, implementing, monitoring strategic plans and setting future directions (Teeratansirikool, et al., 2013). Organizational growth and progress is achieved only through continuous improvement in performance (Mehralianet, 2016).

### **Strategic Organizational Change Management**

Change Management is one of the most important methods for dealing with current rapid changes and also refers to all activities related to the interaction of technology, processes and people (Al-Shamlan and Al- Mudimigh, 2011). Dawson (2003) has determined the change dimension in organizations in the following fields: the policy of change, the context of change and the nature of change. Change management strategies come from the team through projects and end-user training, understanding new processes, communication, and redesigning jobs as a number of main activities (Maktabi and Hanifi, 2013). There are 5 dimensions in strategic management change, namely: (1) The traits of change leader; (2) The culture of change; (3) Policies and strategies of change; (4) The context of change; (5) Technology and the content of change.

### **Organizational Climate**

According to Henry (2017) climate organization is a holistic description of an organization that is determined by members' perceptions depending on the characteristics of the organization. Schneider B. Ehrhart (2013), explains that the organizational climate as a meaning with members of the organization attached to events, policies, practices, procedures that they experience and the behaviors they see are valued, supported, and expected. The company's image, leadership style, management responsibilities, the atmosphere of the work environment, relationships and treating each other will affect the future fate of employees (Hung and Lee 2018). Organizational climate is a relatively stable characteristic in the organization's internal environment, experienced by members, influences behavior, and can be explained in terms of certain group values in the organization (Reyes and Zapata, 2014).

### **Hypothesis Formulation**

According to Patiar and Mia's study (2009), it is stated that in general management practices show that transformational leadership styles create work environments such as sharing the organization's vision, inspiring, stimulating intellectuals and instilling higher ideals and values among subordinates. In addition, the transformational leadership style will show behavior that is consistent across situations and conditions, so that variations in subordinates' perceptions of organizational policies and procedures will be reduced and the strong organizational climate created. The transformational leadership style provides a climate that supports and encourages subordinates to come up with new ideas to solve problems which in turn provide empowerment and enthusiasm in their workplace. Based on several explanations above, the hypothesis can be formulated as follows:

**H1: Transformational leadership style has a significant influence on organizational climate.**

Effective strategic organizational change management is very much needed in organizational climate, environmental support and one's ability to accept change are very important. These elements are part of culture and because some researchers have found that culture is one of the key elements for

understanding and making successful changes (Al-Shamlan and Al-Mudimigh, 2011). Based on the explanation above, the research hypothesis can be formulated as follows:

**H2: Strategic organizational change management has a significant influence on organizational climate.**

According to research conducted by Rejas, et al., (2006) in Chile, results were obtained that transformational leadership style had a positive impact on performance. In another study Obiwuru, et al., (2011) conducted a survey of small scale companies in Nigeria regarding the effect of transformational leadership style on organizational performance and found that transformational leadership styles had a positive but not significant effect on organizational performance. Pradeep & Prabhu (2011) in their research examined the relationship between effective transformational leadership style and employee performance in India. Their study revealed that leadership is positively related to employee performance both for transformational leadership behavior and transactional leadership behavior. Based on some of the above studies, the research hypothesis can be formulated as follows:

**H3: Transformational leadership style has a significant influence on organizational performance.**

According to Al-Shamlan and Al-Mudimigh (2011) in his research that is taking an ERP system as a case study to see what are the factors of strategic organizational change management that have been used in implementation and what influence on employees in organizational performance. In addition, the research conducted by Ebongkeng, et al. (2018) at the sugar factory in Sofina Cameroon shows the need for good management of changes so that the company can survive, compete and achieve goals. Based on the explanation above, the research hypothesis can be formulated as follows:

**H4: Strategic organizational change has a significant influence on organizational performance.**

The results of the study by Berberoglu (2018) from 4 large general hospitals in northern Cyprus showed that organizational climate had a significant influence on organizational commitment and organizational performance. This can be interpreted that employees in public hospitals feel effective organizational climate and have higher organizational commitment automatically. Organizational performance increases dramatically. Based on the above research, the research hypothesis can be formulated as follows:

**H5: Organizational climate has a significant influence on organizational performance.**

Alqawenth's research (2018) explains the strong influence between transformational leadership on managing organizational change, namely the need to pay attention to factors that support effectiveness that will encourage employees to effectively manage change. Research conducted by Akinbode and Shuhumi (2018) in higher education institutions in Malaysia shows that the success of adjusting change depends largely on the ability of the leader to prepare the best possible changes. Based on the above research, the research hypothesis can be formulated as follows:

**H6: Transformational leadership style and strategic organizational change management has an influence on organizational climate.**

Recommendations from the results of the Strukan et al. (2017) study are very important for leaders to make and implement change, have a vision, to focus on long-term and future plans and impacts. Zeb, et al., (2017) states that there are complex relationships of various aspects and dimensions that make it difficult to get specific conclusions regarding the influence of leadership effectiveness and organizational performance. So the need to add a hypothesis that sees the simultaneous influence between Transformational leadership style, strategic organizational change management and organizational climate on organizational performance, to see the complexity of the relationships between variables, as follows:

**H7: Transformational leadership style, strategic organizational change management and organizational climate have an influence on organizational performance.**

The research conducted by Ayodotun, et al. (2018) measures the influence of organizational climate as a mediating variable that includes leadership quality, interpersonal relations, organizational processes and the clarity of roles and sharing of information that influence employee commitment. Shao's research, et al. (2012) shows that the development culture provides a positive and significant influence for the transformation leader in the success of ERP implementation in industrial companies in China. Gonzales, et al., (2018) study in 200 industrial companies in Spanish explores the mediating variable, namely Learning Human Resource Management (LHRM) on the transformational leadership influence on organizational performance. From the research of Kristianto, et al., (2018) at the Perum Pegadaian Bekasi, it shows that organizational commitment as a mediating variable increases the positive and significant influence on leadership style on employee performance. Therefore, it is necessary to add a hypothesis to see the effect of organizational climate as a mediating variable in increasing the effect of the transformational leadership style on organizational performance, as follows:

**H8: The mediating effect of organizational climate increases the influence of transformational leadership style on organizational performance.**

The Makina and Keng'ara (2018) study at the Nzoia sugar factory in Kenya shows the need for a conducive organizational climate to support successful management of change to improve organizational performance, so it is important to involve all members of the board of directors, managers and employees in the strategy formulation process, implementation and control to create a sense of belonging to change and minimize rejection. The Gudeta Research (2018) found that there is a positive and significant relationship between the 4 dimensions of organizational climate towards organizational member loyalty and a greater influence on management style and leadership factors. Therefore, it is necessary to add a hypothesis to see the effect of strategic organizational change management on organizational performance which is mediated by organizational climate variables as the following hypothesis:

**H9: The mediating effect of organizational climate increases the influence of strategic organizational change management on organizational performance.**

**Population and Sample**

In this study two groups of sampling were carried out, namely trial samples and samples for testing research data. The trial sample is used to ensure the validity and reliability of the questionnaire that will be used for the study. The trial sample of 460 respondents was obtained during October - November 2018 and the results showed that all indicators were valid and reliable, so that they could be continued for research. Furthermore, the research sample is expanded by adding respondents from the basic management category in December 2018 to January 2019.

## **METHOD**

The method of this study is quantitative non-experimental using surveys, in explaining causality between variables to test hypotheses (Sekaran and Bougi, 2010). Survey taking is done once in a certain period of time. The unit of analysis in this study is a corporate entity that is a group of electricity BUMNs in Indonesia, namely companies that are subsidiaries or grandchildren of state-owned enterprises. Sampling using non- probability sampling method uses purposive sampling.

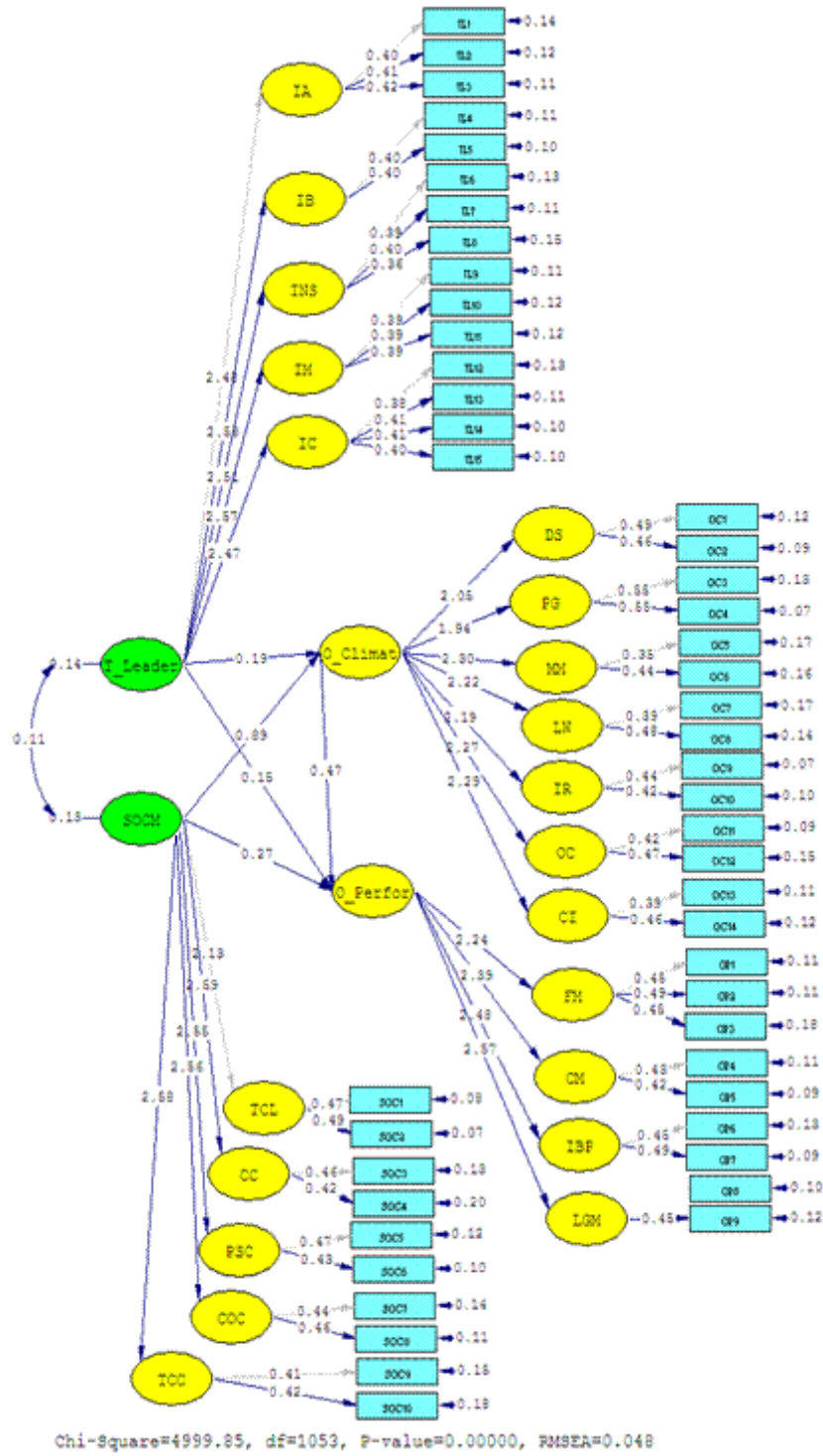
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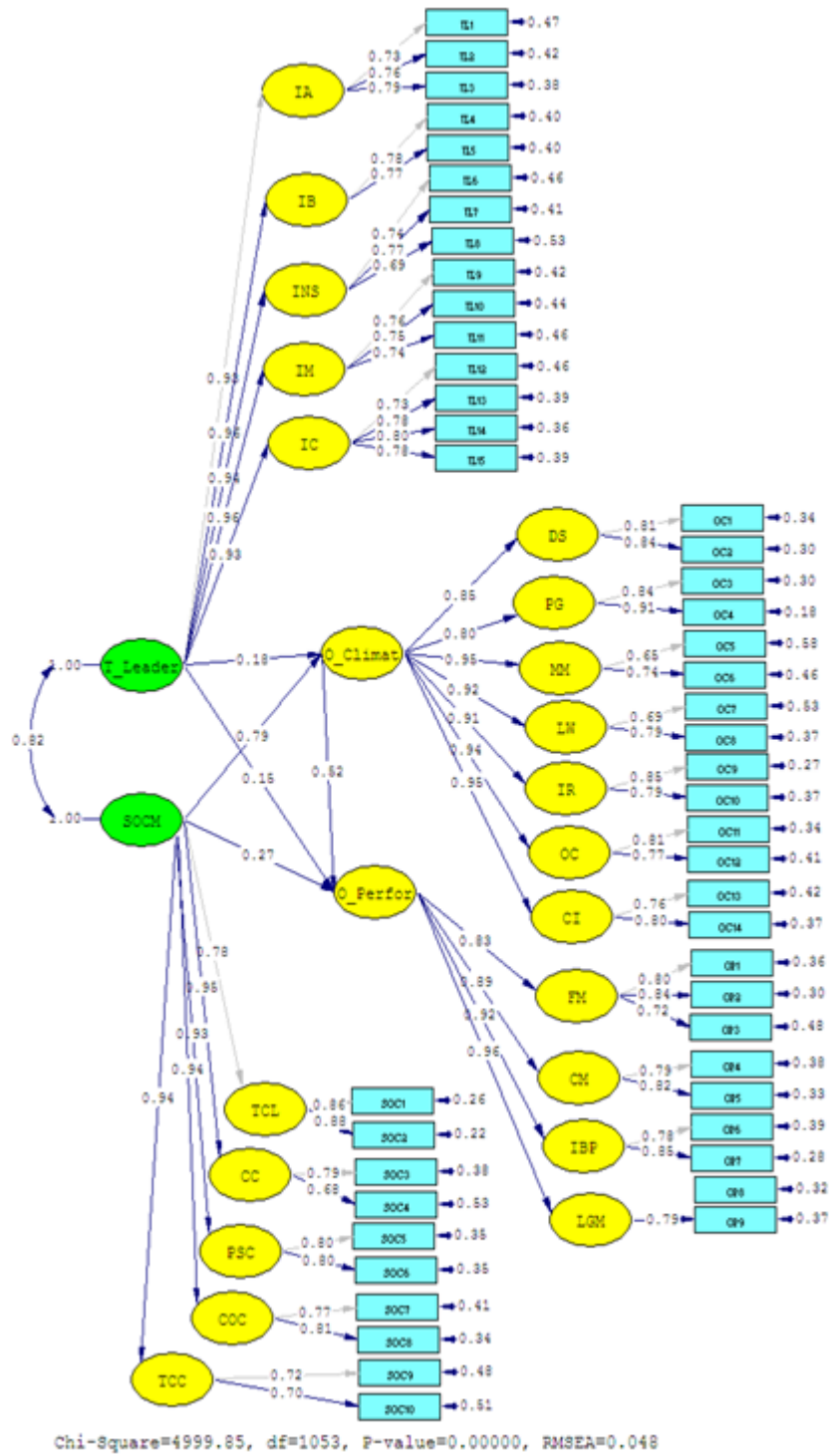
## **RESULTS AND DISCUSSION**

After After the data obtained are declared valid and reliable, then the data processing technique is performed using SEM (Structural Equation Model). Using LISREL as software using the confirmatory factor analysis (CFA) method.

In the full SEM model the parameters  $\lambda$  (loading factor / indicator coefficient) are tested on exogenous and endogenous models, to determine the strength of the indicators of each latent variable (construct). By testing whether the t-value is greater than 1.96.

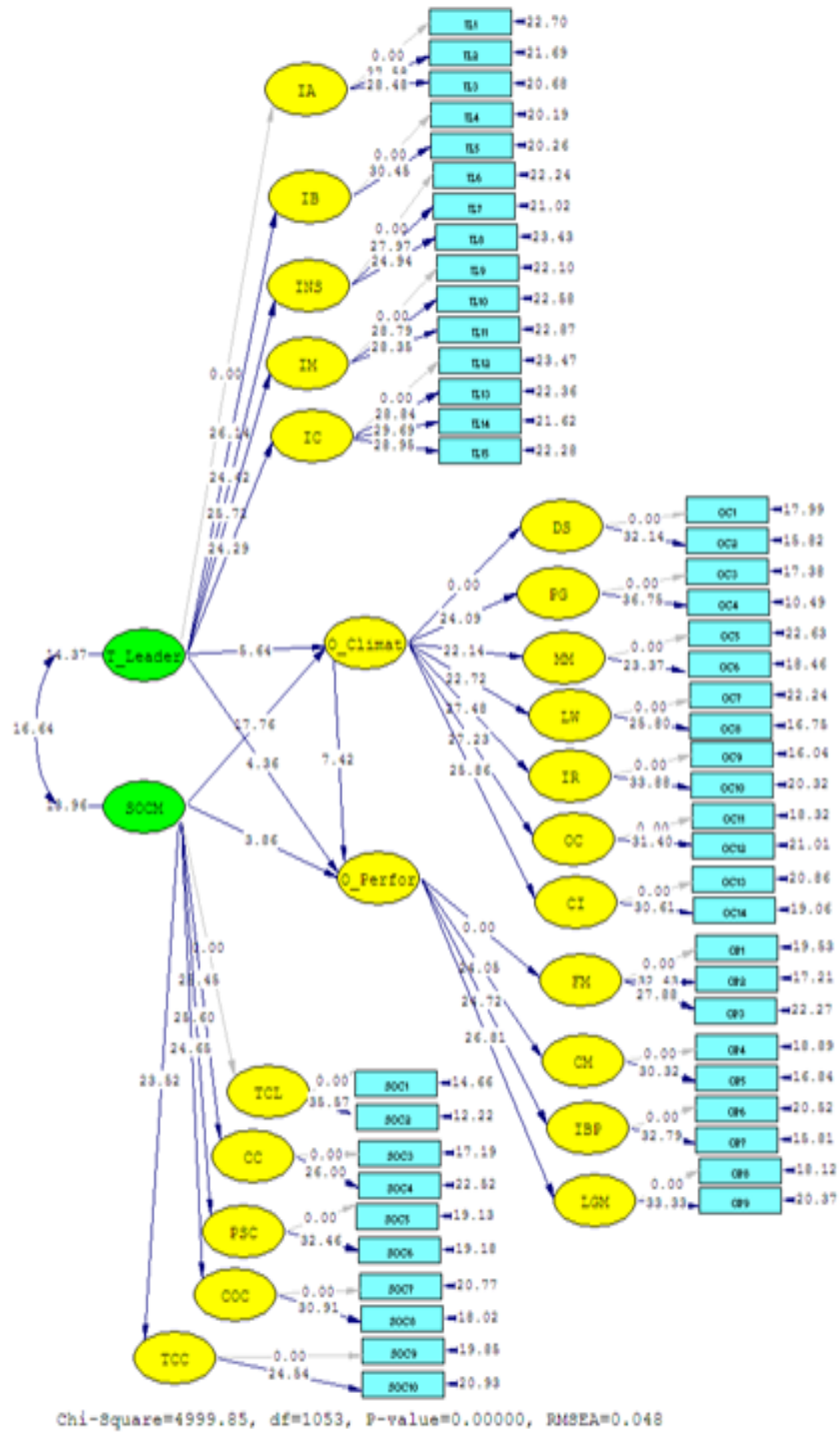


**Figure 1.** Structural Model (Estimates)



**Figure 2.** Structural Model (Standardized Solutions)





**Figure 3.** Structural Model (T Values)

From the calculation results, the model suitability index is obtained.

**Table 1.** Formatting rules

<b>Goodness of fit index</b>	<b>Criteria (cut-off value)</b>	<b>Result</b>	<b>Information</b>
X <sup>2</sup> - Chi-square	Expected to be small	4999.85	Model not fit
Significance probability	< 0.05	0.000	Model fit
RMSEA	≤ 0.1	0.048	Model fit
GFI	≥ 0.90	0.93	Model fit
IFI	≥ 0.90	0.99	Model fit
RFI	≥ 0.90	0.99	Model fit
NFI	≥ 0.90	0.99	Model fit
CFI	≥ 0.90	0.99	Model fit
AGFI	≥ 0.90	0.92	Model not fit

Source: Data Processed

There are seven model suitability indices obtained that have a good fit index, namely: RMSEA, GFI, IFI, RFI, NFI, CFI and AGFI. Thus it can be continued in the next analysis.

The next, based on picture 4.10, picture 4.11 and picture 4.12, there are estimation results from structural equations or equations of structural models that are related to the evaluation of coefficients or parameters that indicate a causal relationship or the effect of one latent variable on other latent variables. The resulting structural model equations are as follows:

$$O\_Climat = 0.19 * T\_Leader + 0.89 * SOCM, Errorvar.= 0.021, R^2 = 0.88$$

$$\begin{matrix} (0.035) & (0.050) & (0.0022) \\ 5.64 & 17.76 & 9.82 \end{matrix}$$

$$O\_Perfor = 0.47 * O\_Climat + 0.15 * T\_Leader + 0.27 * SOCM, Errorvar.= 0.026, R^2 = 0.81 (0.063)$$

$$\begin{matrix} (0.034) & (0.070) & (0.0024) & \\ 7.42 & 4.36 & 3.86 & 11.04 \end{matrix}$$

Indirect Effects of X on ETA

T\_Leader SOCM

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O\_Climat -- --

O\_Perfor 0.09 0.41  
(0.02) (0.06)  
4.50 7.18

The coefficient or parameter value is the value that was previously estimated which is used as a comparison of the t-value to test the hypothesis of the study. The results are summarized in Table 2.

**Tabel 2.** Evaluation of the Structural Model Coefficient

Path	Estimation	t-value	Conclusion
Transformational Leadership Style → Organizational Climate	0.19	5.64	Accepted
Strategic Organizational Change Management → Organizational Climate	0.89	17.76	Accepted
Transformational Leadership Style → Organizational Performance	0.15	4.36	Accepted
Strategic Organizational Change Management → Organizational Performance	0.27	3.86	Accepted
Organizational Climate → Organizational Performance	0.47	7.42	Accepted
Transformational Leadership Style → Organizational Performance with Organizational Climate as a mediating variable	0.09	4.50	Accepted
Strategic Organizational Change Management → Organizational Performance with Organizational Climate as a mediating variable	0.41	7.18	Accepted
Transformational Organizational → Organizational Climate	Fcount 5500	R Square 0.88	Accepted
Transformational Leadership Organizational Management and Organizational Climate → Organizational Performance	Fcount 2077	R Square 0.81	Accepted

Source: Results of processing with LISREL 8.80

## DISCUSSION

The new thing in the research shows that Organizational climate as a mediating variable gives a greater influence on the Strategic Organizational Change Management than the transformational leadership style towards achieving organizational performance. This conclusion is described as follows:

Transformational leadership style has a positive and significant effect on organizational climate, so that the improvement of transformational leadership style will encourage increased organizational climate effectiveness. Strategic organizational change management has a positive and significant effect on organizational climate, so that improvements in the Strategic Organizational Change Management will encourage increased organizational climate effectiveness.

Transformational leadership style has a positive and significant effect on organizational performance, so that the improvement of transformational leadership style will improve organizational performance. Strategic organizational change management has a positive and significant effect on organizational performance, so that the improvement of strategic organizational change management will improve organizational performance. Organizational climate has a positive and significant effect on Organizational Performance, so that improvement in climate organization will improve organizational performance.

Transformational leadership style and strategic organizational change management together have a positive and significant effect on organizational climate, with the strategic variable organizational change management having a more dominant influence on organizational climate. This shows the need for leaders to focus on strategy and change management and encourage the involvement of all members of the organization from the planning stage to the implementation of changes needed by the company in order to create a conducive organizational climate that can encourage the involvement and contribution of organizational members to make changes in accordance with company goals. The need for leaders to move company members with beliefs and values and behavioral similarities that can be measured to determine the effectiveness of achieving company goals.

Transformational leadership style, strategic organizational change management and organizational climate together have a positive and significant effect on organizational performance, with organizational climate variables having the most dominant influence on organizational performance. This shows that positively improving the transformational leadership style effectiveness, strategic organizational change management and organizational climate will lead to increased organizational performance. The need for leaders to move Company members with beliefs and values and behavioral similarities that can be measured to determine the Neffectiveness of achieving company goals.

The mediating effect of organizational climate which is new in this study compared to previous research can increase the effect of the transformational leadership style on organizational performance. This shows that positively improving the effectiveness of organizational climate will lead to increased influence of the transformational leadership style on organizational performance. The mediating effect of organizational climate which is a new thing in this study compared to previous research can increase the influence of strategic organizational change management on organizational performance. This shows that positively improving the effectiveness of organizational climate will lead to increased influence of strategic organizational change management on organizational performance.

The importance of leaders focus on improving organizational climate especially in the area of management model, interpersonal relationship and corporate image so that transformational leadership is more powerful and effective management of change so that it can increase employee attachment to the company to make maximum contributions to achieve the company's targets. The importance of leaders to improve leadership skills in building role models (idealized attributes), giving motivation logically to subordinates (intellectual motivation) and caring / empathy to their needs (invidual consideration) and focus on efforts to achieve successful management of change, among others in the selection of leaders / champions / agents of change are well based on the personal character and character of the leader / agent of change (traits of change leader) who are able to maintain the spirit to continue to innovate and change in a better direction, and prepare the direction of strategy, policy and readiness Change management programs (dimension policies and strategies of change) are systematic and communicated and can be understood by members of the company properly.

## CONCLUSION

The findings of this study are strongly influenced by the object of research in this case carried out at PLN as an Electricity BUMN in Indonesia, which is BUMN with the largest assets in Indonesia, engaged in the energy infrastructure sector which has a strategic role in driving the country's economy. The characteristics of PLN's organizational climate tend to be mechanistic compared to organic, the need for growth is relatively high, perceptions of environmental change tend to be static compared to dynamic, are well-established organizations with well-regulated and detailed management, employee remuneration and benefit systems as well as good pension programs, this has a strong influence on the perceptions of respondents where the perceptions of respondents above number 4 means very good / supportive towards 48 indicators from 21 dimensions that form 4 variables.

Noting the findings that the effect of strategic organizational change management is greater than the transformational leadership style on organizational climate, it is assumed that the systems and governance are well established so that the demands of these changes are considered more important and need to be taken more seriously by transformational leaders to pay greater attention to change management. Leaders need to establish and communicate Belief and company values to all members of the company and provide examples / exemplary and consistently apply in daily behavior in order to create a conducive corporate climate. Likewise on organizational performance, that the influence of organizational climate is greater than the influence of transformational leadership style and strategic organizational change management, it is suspected that respondents' perceptions and expectations of the importance of a conducive work climate and synergy are believed to encourage superior performance considering the complexity and complexity of business processes and the PLN work area. On the other hand a conducive organizational climate is believed to be able to increase the effectiveness of the influence of transformational leadership in moving company members to achieve superior organizational performance.

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