

# The Implications of Leadership Style, Human Resources Practices, and Organizational Culture on Employee Performance in PT Kansai Prakarsa Coatings

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## ABSTRACT

This research analyzed the relationship between leadership style, Human Resources (HR) practices, and organizational culture on employee performance in PT Kansai Prakarsa Coatings in Indonesia. This research was expected to find the information related to what factors greatly affected employee performance and be an input for foreign paint manufacture to set up paint companies in Indonesia. The sample was 230 from 650 employees, chosen by stratified random sampling from each division to get a representing answer. The used analysis model was descriptive and path analysis. The result shows that there is a negative significant between leadership style and organizational culture to employee performance. On the other hand, there is a significant positive relationship between HR practices and employee performance.

**Keywords:** leadership style, Human Resources (HR) practices, organizational culture, employee performance

## INTRODUCTION

The development of the industrial estate manufacture is growing very rapidly. Hamdani (2019) reported that the Ministry of Industry (Kemenperin) claimed the growth in the industrial estates in Indonesia became 90 areas from 74 areas in 2014. It means that the investment is very high, especially in the manufacturing sector. Moreover, foreign investors (Thailand, India, Japan, Philippines, and others) have started investing in building paint factories in Indonesia.

The success of a company can be seen from its employee performance. If the employee performance in the company is good, the success rate of the company to achieve its goals will be higher. Many factors can influence a company to achieve its goals. The factors are divided into two, namely, external and internal factors. The external factors include social factors, economics, demographics, currency, political policy,

public purchasing power, and others. Meanwhile, the internal factors are employee performance, organizational culture, leadership style, and Human Resources (HR) practices.

PT Kansai Prakarsa Coatings has been established for 42 years. It has so many changes in the management from local to expatriates managers. Because of this condition, it affects the habits, culture, and HR rules in the company. It also influences employee and company performance. Based on Figure 1 in 2016, there is a change in management (director and top positions). After this condition, in Figure 2, there was a decline in project sales from Rp52.025 billion to Rp40.718 billion, and the growth was -28% from 2015 to 2016.

Pradeep and Prabhu (2011) revealed that leadership style had a significant relationship with employee performance, especially skills in work, satisfaction, additional effort, and dependence. Using the results, the leaders could adapt them to practical

ways to improve job performance. Thus, it increased productivity for their organizations. Meanwhile, Weerarathna and Geeganage (2014) conducted a study to identify the relationship between organizational culture and employee performance in Sri Lanka. The findings of this study indicated that organizational culture had a positive relationship with employee performance. This finding had significant implications for managers. Then, Singh and Kassa (2016) showed that HR practices such as recruitment and selection, training and development, performance appraisal, and compensation had a significant relationship with a university performance. This study had been conducted at Debre Brehan University using the SPSS method.

Moreover, Parry and Proctor-Thomson (2002) revealed that there was a significant relationship between leadership, culture, and performance. The research was done in the public sector of New Zealand using data analysis consisting of comparative and Structural Equation Modelling (SEM) methods. Hassan (2016) conducted a research on the impact of Human Resources Management (HRM) practices on employee performance. The results showed that

there was a significant relationship between HRM practices and employee performance using the regression method and ANOVA analysis. Next, Wahba (2016) investigated the impact of leadership styles on talent management processes by comparing the public and private sectors in Egypt. This study found that leadership styles more likely impacted talent management processes in the private sector than in the public sector.

Nasir, Nordin, Seman, and Rahmat (2014) studied the relationship of leadership styles and organizational performance among IPTA academic leaders in Klang Valley Area in Malaysia. This study was quantitative research by investigating the differences between a leadership styles of academic leaders and organizational performance. It was important to apply appropriate leadership styles that could enhance organizational performance. A total number of 300 sets of questionnaires were distributed, and only 156 sets of questionnaires were collected. The findings indicated that all leadership styles discussed (transformational leadership, transactional leadership, and Laissez-Faire leadership) had a positive and significant relationship with organizational performance. However, there was

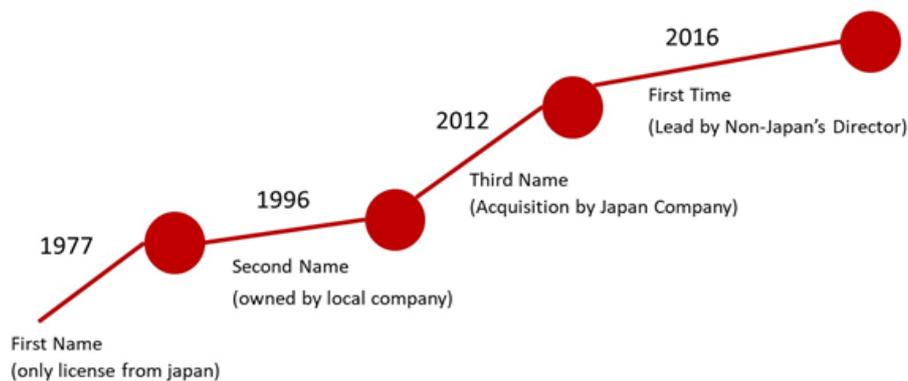


Figure 1 Company Milestone

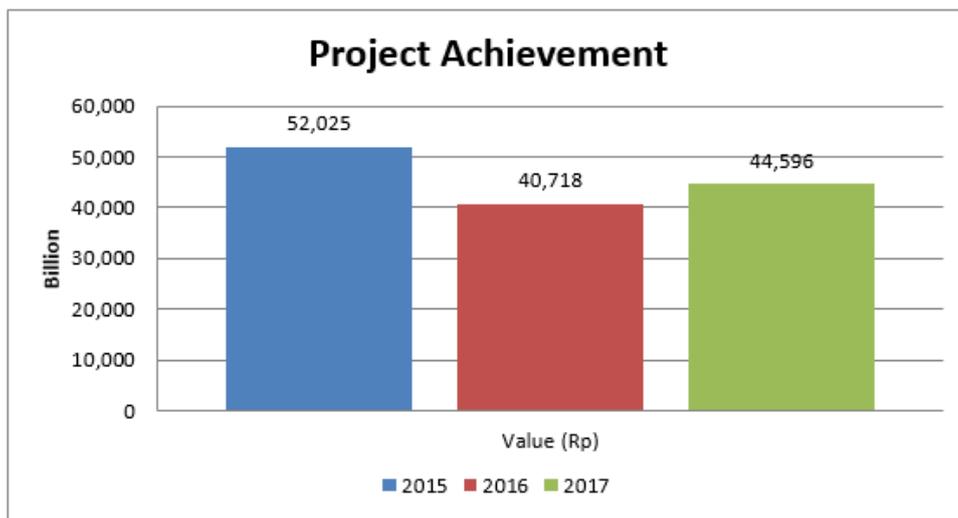


Figure 2 Project Sales Division Achievement in 2015 – 2017

no significant difference in gender between male and female academic leaders towards the leadership styles practices that were perceived by the academic leaders.

Similarly, Basit, Sebastian, and Hassan (2017) researched the private organization in Malaysia. The purpose of this study was to identify the impact of leadership style on employee performance. A sample size of 100 was used from one private organization using a convenience sampling technique. The study used quantitative approaches, and a questionnaire was designed. A five-point Likert scale questionnaire was used to determine the impact of leadership style on employee performance. SPSS software was used in analyzing the questionnaires. Demographic analysis, normality test, reliability test (Cronbach's Alpha), descriptive analysis, and regression analysis were presented. Descriptive statistics showed that the most significant value associated with employee performance was the democratic leadership style, followed by Laissez-Faire leadership style and autocratic leadership style.

Widayanti and Putranto (2015) analyzed the relationship between Transformational Leadership and Transactional Leadership Style on Employee Performance in PT TX Bandung in Indonesia. The sample size used by the researchers was 92. They wanted to find the relationship between transactional and transformational leadership and employee performance and the significant relationship between these two variables. This research consisted of primary and secondary data. Primary data was collected through the Multifactor Leadership Questionnaire (MLQ) based on the Slovin theory method. The secondary data was collected from the office assessment of employee performance. Validity and reliability tests were used to measure the quality of data. Multiple regression analysis was used to find the relationship because it had more than one independent variable. Data were sent to pass the classic assumption tests such as multicollinearity test, normality test, heteroscedasticity test, and autocorrelation test before multiple regression analysis. The result proved that transactional and transformational leadership had a positive relationship, and it affected the employee performance concurrently or partially.

Leng, Xuan, Sin, Leng, and Yan (2014) found the impact of leadership styles on employee commitment in the retail industry in Malaysia. The sample size used by the researchers was 384. The researchers used the questionnaires as the research instrument. Then, SAS software version 9.3 was used to run tests of reliability, Pearson correlation, and linear regression. The findings concluded that there was a significant impact of leadership styles on employee commitment.

On the other hand, Syarief, Maarif, and Sukmawati (2017) analyzed the influence of transformational leadership and organizational culture on organizational commitment and organizational citizenship behavior. The data were collected by distributing 115 questionnaires to the employee of the Faculty of Economics and Business in Universitas,

Indonesia. The analytical tool used SEM. The results showed that the transformational leadership style did not affect organizational commitment. Furthermore, the organizational culture had a significant influence on organizational commitment. Transformational leadership influenced organizational citizenship behavior. However, organizational culture did not affect organizational citizenship behavior. Then, the organizational commitment had a significant effect on organizational citizenship behavior.

Nawoseing'ollan and Roussel (2017) explored the relationship between the leadership styles and performance of Turkana County. The study adopted a mixed-method approach and employed an exploratory survey design. Questionnaires were used to gather data from the employees of Turkana County. The simple and multiple regression analysis were used to determine whether a relationship existed between the independent and dependent variables. On the other hand, qualitative data from the interview guide were analyzed by content analysis. This involved selecting and grouping the data according to emerging themes in line with the objectives of the study. The study revealed that there was no perfect leadership style. However, according to this study, the following leadership styles influenced employee performance; affiliative leadership (49,5%), authoritative leadership style (52,2%). Therefore, it was concluded that the two leadership styles influenced the county government employees' style.

Otieno, Waiganjo, and Njeru (2015) used the path-goal theory to study the relationship between labor relations practices and employee performance in Kenya's horticultural sector. The study had the objective of establishing the relationship between employee communication, involvement, as well as relationship and performance. They also determined the moderating effect of leadership styles on employee performance in the horticultural sector in Kenya. The study found that employee engagement was one of the strategies used by organizations in the horticultural sector to improve their performance. Then, Wanjala and Kimutai (2015) studied the influence of performance appraisal in commercial banks in Trans Nzoia County. The main objective was to determine the influence of performance appraisal on bank worker's performance in 10 selected commercial banks. The study adopted a descriptive survey research design. A total of 178 research subjects were drawn from the target population using the stratified and simple random sampling technique. Around 120 respondents' questionnaires were completed and returned. This represented 67% of the response rate. Data analysis was done through descriptive statistics, specific usage of frequencies, and percentages. Data were presented in the frequency table, and the Chi-Square method was used for testing the hypothesis. The findings showed that there was a significant relationship between performance appraisal and the worker's performance. Dalluay and Jalagat (2016) researched the impacts of leadership style effectiveness of managers and department heads

on employees' job satisfaction and performance on selected small-scale businesses in Cavite, Philippines. The sample size used was 150. The respondents were selected from corporations in Cavite, Philippines, through random sampling with Slovin formula with  $n = N/(1+Ne^2)$ . The survey questionnaires were designed to study the effects of manager leadership styles on employees' performance and satisfaction. Data were analyzed by using weighted mean, percentages, multiple regression, and correlation coefficient. Percentages specifically were used to analyze demographic variables (gender, age, length of service, and leadership styles). The weighted mean was used to survey the questionnaires on leadership styles, and correlation coefficient and multiple regression were used to study the relationship between variables on leadership style, job performance, and job satisfaction. The finding concluded that corporations should continuously make the most of the leadership style. It enhanced employee performance and job satisfaction levels even though there was still room for improvement.

Suherman, Munandar, and Dirdjosuparto (2017) determined the effect of leadership style and work motivation to organizational commitment on employees of Maritime Affairs and Fisheries Education Center. The effects were directed to differentiate between transactional and transformational leadership. The sample consisted of 35 employees. The sampling used purposive sampling with questionnaires. The data were processed by using Smart PLS with the relation of the reflective indicator at 95% confidence level. The result showed that the leadership was not significant enough to affect organizational commitment. Leadership had a significant effect on work motivation, while work motivation had a significant effect on organizational commitment. Then, Khan *et al.* (2015) suggested that leadership was a personal relationship in which one person directed, coordinated, and supervised others in the performance of a common task. The social contract of leadership was viewed as a myth that functioned to reinforce the existing social beliefs and structure about the necessity of hierarchy and leaders in the organization. Leadership seemed to be a matter of aligning people towards common goals and empowered them to take the actions needed to reach them. It was the ability to influence individuals/groups towards the achievement of common goals.

Longe (2014) revealed that the transactional leadership style had a positive impact on organizational performance. The transactional leadership style helped to create as well as sustain the context. The organizational and human capabilities were maximized as the employees were always able to achieve tangible and intangible rewards. This leadership style particularly helped to create an optimal environment for performance and also articulate the compelling vision enhancing the overall organizational performance. However, Sofi and Devanadhen (2015) stated that transactional leadership did not have a direct impact on the performance of the organization. This leadership

style did not encourage creativity and innovation among the employee. Hence, the employees did not perform as expected by the organization.

Moreover, Iqbal, Anwar, and Haider (2015) conducted a study to determine the impact of leadership styles on organizational performance. They stated that autocratic leadership was also known as the authoritarian leadership style. The autocratic leaders were less creative and only promoted a one-sided conversation. This severely affected the motivation and satisfaction level of the employees. However, the autocratic leadership style was known to be effective in the short term. Autocratic leadership restricted workplace socialization and communication, which was cordial for effective organizational performance. The autocratic leadership also led to organizational conflicts, which negatively affected the overall performance.

Similarly, Igbaekemen and Odivwri (2015) also conducted a study on the impact of leadership styles on the performance of the organizations. They stated that an autocratic leader was the one who determined the activities, techniques, and policies to the employees and expected the employees to follow the same. In addition, such leaders do not have much faith in their followers.

By conducting this research, it is expected to get information related to what internal factors that significantly affect the company performance are. The result can also be an important input to the board of management of paint manufacture in setting up paint companies in Indonesia. Based on this background, there are five hypotheses as follows:

- H1 : Leadership style has a positive influence on HR practices
- H2 : Leadership style has a positive influence on organizational culture
- H3 : HR practices has a positive influence on employee performance
- H4 : Organizational culture has a positive influence on employee performance
- H5 : Leadership style has a positive influence on employee performance

## METHODS

The population is 650 employees. from PT Kansai Prakarsa Coatings based on the database in 2019. It can be seen in Figure 3. In this research, the researcher collects the samples by using a stratified sampling method. The method takes the samples based on certain department levels, which is represented by each department of PT Kansai Prakarsa Coatings. According to the number of samples by Ferdinand (2002) as cited by Sanusi (2014), the sample taken is at least 230 respondents. It is because this research has 46 questions or indicators. Thus, it is 46 multiplied by 5. Table 1 shows the respondents' profile.

To find out the relationship between leadership style, organizational culture, HR practice, and



Figure 3 The Employees in the Company

Table 1 Respondents' Profile

No.	Profile	Number of Respondents	Percentage %
1	<b>Sex</b>		
	Male	148	63,37
	Female	82	36,63
2	<b>Age (year)</b>		
	≤ 24	5	2,17
	25-38	82	35,65
	39-54	77	33,48
	≥ 55	66	28,70
3	<b>Education</b>		
	Primary school	0	0
	Junior high school	0	0
	Senior high school	62	26,96
	Associate degree	70	30,43
	Bachelor degree	96	41,74
	Master degree	2	0,87
Doctoral degree	0	0	
4	<b>Marital status</b>		
	Single	36	15,65
	Married	173	75,22
	Divorce	21	9,13
5	<b>Position (Grade)</b>		
	Dept. head	20	8,91
	Unit head	48	20,79
	Supervisor	96	41,58
	Foreman	52	22,78
	Operator	14	5,94
6	<b>Working-age (year)</b>		
	≤ 1	16	6,93
	2-5	59	25,75
	6-10	105	45,54
	≥ 11	50	21,78
7	<b>Working units</b>		
	Sales & Marketing	46	19,81
	Technique	71	30,69
	Finance	68	29,70
	Logistic	23	9,90
	HR & GA	23	9,90

employee performance, the researchers use descriptive analysis and SEM by using SmartPLS software version 2.0. To explain this study, Figure 4 presents a path diagram that will form SEM. It describes the relationship between exogenous and endogenous variables (see Table 2).

## RESULTS AND DISCUSSIONS

Table 1 shows that respondents are dominated by males with 148 employees (63,37%). The age of respondents is mostly in the range of 25-38 (35,65%). Then, the highest education of respondents is the bachelor with 96 employees (41,74%), and the second one is an associate degree with 70 employees (30,43%). This affects the perspective of employees in the paradigm that exists in the company. The

respondent's marital status is dominated by the status of marriage with 173 respondents (75,22%). For the grade level, it is dominated by the supervisor level with 96 respondents (41,58%). For the working period, the highest is in the range of 6-10 years, which the respondents usually have received an award for the period of employment.

The descriptive analysis of employee perceptions of leadership style, HR practices, organizational culture, and employee performance can be seen from the data disseminated through questionnaires. In this descriptive analysis, it can describe the employee perceptions of the company on each variable and its dimension. The perception results are simplified into three Likert scales, namely "disagree, neutral, and agree".

Table 2 Exogenous and Endogenous Latent Variable

Latent Variable	Indicator	Source	Measurement
<b>Exogenous</b> Leadership style	X1. Remuneration X2. Active Exception X3. Passive Exception	Bass (1997)	Likert Scale (1-5)
<b>Endogenous</b> HR Practices	X4. Compensation X5. Carrer planning X6. Perfomance Appraisal X7. Training X8. Employee Participation	Schuler and Jackson (1999)	Likert Scale (1-5)
Organizational culture	X9. Clan X10. Adhocracy X11. Market X12. Hierarchy	Cameron and Quinn (1999)	Likert Scale (1-5)
Employee performance	X13. Quantity X14. Quality X15. Punctuality	Robbins and Coulter (2012)	Likert Scale (1-5)



Figure 4 Path Diagram Modelling

Table 3 The Employee Perception of Application on Leadership Style

No.	Indicator	(%) Disagree	(%) Neutral	(%) Agree	Modus
1	Remuneration	9,41	23,76	66,83	Agree
2	Active exception	16,34	27,23	56,44	Agree
3	Passive exception	14,85	25,74	59,41	Agree

Table 4 The Employee Perception of Application on HR practices

No.	Indicator	(%) Disagree	(%) Neutral	(%) Agree	Modus
1	Compensation	2,97	17,16	79,87	Agree
2	Career planning	16,17	29,70	54,13	Agree
3	Performance appraisal	7,59	32,34	60,07	Agree
4	Training	16,50	31,02	52,48	Agree
5	Employee participation.	4,95	35,15	59,90	Agree

Table 5 The Employee Perception of Application on Culture Organization

No.	Indicator	(%) Disagree	(%) Neutral	(%) Agree	Modus
1	Clan	2.48	13.86	83.66	Agree
2	Adhocracy	21.12	32.34	46.53	Agree
3	Market	9.57	15.84	74.59	Agree
4	Hierarchy	8.17	25.25	66.58	Agree

Table 6 The Employee Perception of Application on Employee Performance

No.	Indicator	(%) Disagree	(%) Neutral	(%) Agree	Modus
1	Quantity	1.32	11.55	87.13	Agree
2	Quality	15.51	19.14	65.35	Agree
3	Punctuality	19.31	15.35	65.35	Agree

Based on the data in Tables 3–6, it can be concluded that all indicators in all variables are “agree”. It means that the application of the leadership style, organizational culture, HR practices, and employee performance, which consists of several question indicators in this company run well. However, the application of leadership style, HR practices, and organizational culture in this company is not concerned by employees. It can be seen from what they think in filling the answers of questionnaires. Next, SEM analysis is conducted to examine the relationship between leadership style, HR practices, and organizational culture on employee performance in this company. The respondents in this study are 230 employees.

In Figure 5, the leadership style variable is the second level of the latent variable. Meanwhile, the latent variable like remuneration, active exception, and passive exception are the first level of latent variables. Two forms of SEM models are made in this analysis, namely full order and trimmed mode. For full order mode, the SEM model includes all existing indicator variables. This model has the form of a second-order (as the previous illustration). The estimation method used is the Maximum Likelihood (ML) method.

Meanwhile, in the trimmed mode, the SEM model is with only a partial indicator variable included. The selection of this indicator variable is made by setting aside variables with the smallest loading value below 0,7 per measurement based on the full order model. As shown in Figure 6, this process continues until all indicator variables have a loading value above 0,7 and the Average Variance Extracted (AVE) and CR (Composite Reliability) values above 0,5 and 0,7, respectively. This SEM model is also estimated using the ML method. The parameters of all models are estimated using the SmartPLS version 2.0 program.

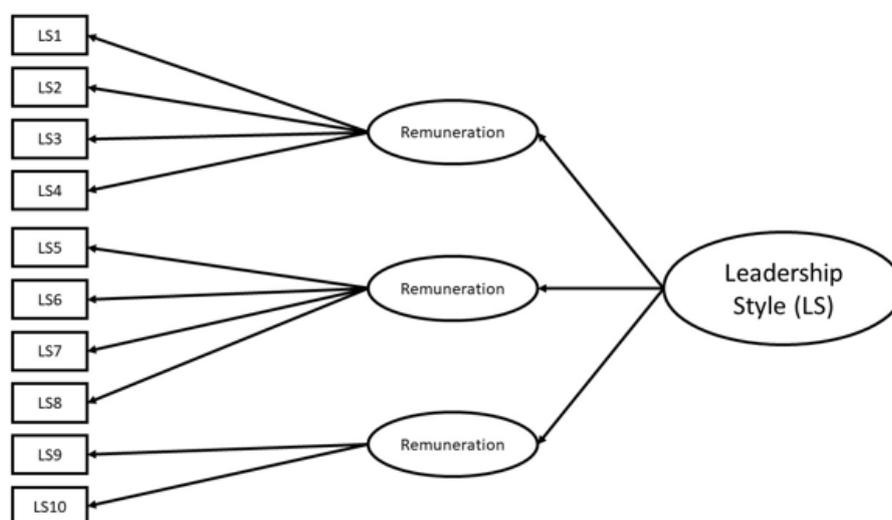


Figure 5 The Research Model

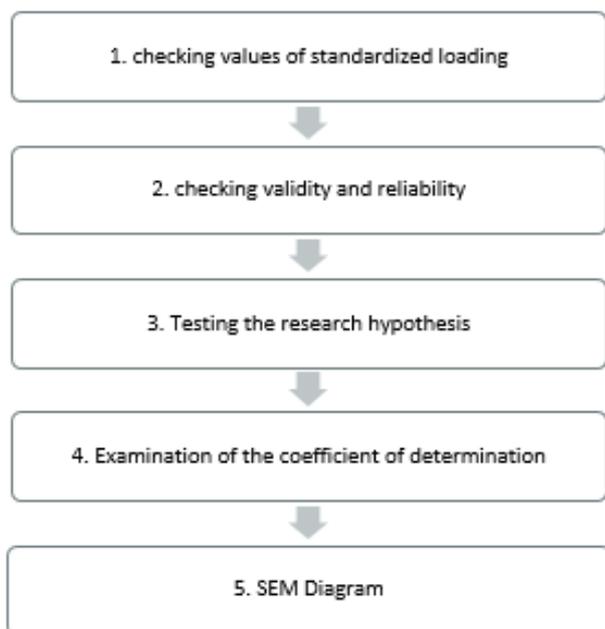


Figure 6 Flow Analysis Diagram

The standardized loading value symbolizes the relationship between indicator variables and their latent variables. This value generally ranges from -1 to 1 with a negative value indicating a negative relationship. Meanwhile, the positive value shows a positive relationship. The values which are close to absolute numbers indicate that the strength of the relationship is getting higher. The standardized loading value that is greater than 0,7 can be considered good. Meanwhile, the value that is below the threshold can be said to be poor. The associated indicator variables can be set aside from the model because the effect of these indicator variables is small on latent variables.

Table 7 The Standardized Loading Value on Leadership Style (LS) – Full Order Mode

Variable indicator	Loading value	T-value	Significant
Remuneration			
LS1	0,58	3,21	**
LS2	0,67	3,68	**
LS3	0,47	2,46	**
LS4	0,18	1,31	
Active Exception			
LS5	0,54	2,66	**
LS6	0,48	1,84	*
LS7	0,55	2,06	**
LS8	0,27	1,06	
Passive Exception			
LS9	0,06	0,24	
LS10	0,21	0,85	

Table 8 The Standardized Loading Value on Employee Performance (EP) – Full Order Mode

Variable indicator	Loading value	T-value	Significant
Quantity			
EP1	-0,02	0,17	
EP2	0,01	0,08	
EP3	0,31	2,31	**
Quality			
EP4	0,54	6,39	**
EP5	0,76	18,74	**
EP6	0,70	14,51	**
Punctuality			
EP7	0,50	4,15	**
EP8	0,74	18,31	**

In Tables 7–10, almost all indicator variables for each latent variable are significant. Thus, the SEM model is good for the aspects of its standardized loading value. Next, the validity test is done to test if the indicator variable can measure latent variables properly. The value used in this test is the value of AVE.

Table 9 The Standardized Loading Value on HR Practices (HR) – Full Order Mode

Variable indicator	Loading value	T-value	Significant
Compensation			
HR1	-0,01	0,08	
HR2	-0,04	0,30	
HR3	0,26	2,57	**
Carrer planning			
HR4	0,57	9,49	**
HR5	0,59	9,05	**
HR6	0,67	13,55	**
Performance appraisal			
HR7	0,45	5,73	**
HR8	0,47	6,23	**
HR9	0,60	8,86	**
Training			
HR10	0,54	8,02	**
HR11	0,54	8,73	**
HR12	0,45	5,83	**
Employee participation			
HR13	-0,02	0,17	
HR14	0,01	0,08	

Table 10 The Standardized Loading Value on Organizational Culture (OC) – Full Order Mode

Variable indicator	Loading value	T-value	Significant
Clan			
OC1	0,25	1,61	
OC2	0,28	1,76	*
OC3	0,25	1,86	*
OC4	0,28	1,84	*
Adhocracy			
OC5	0,20	1,26	
OC6	0,17	0,98	
OC7	0,28	1,55	
Market			
OC8	0,51	7,05	**
OC9	0,56	10,41	**
OC10	0,58	8,37	**
Hierarchy			
OC11	0,59	10,09	**
OC12	0,56	8,53	**
OC13	0,57	9,04	**
OC14	0,62	10,01	**

Table 11 The Test of Validity – Full Order Mode

Variable latent	AVE	STD	Result
Leadership style	0,20	> 0,50	Not Good
HR Practices	0,20	> 0,50	Not Good
Organizational culture	0,20	> 0,50	Not Good
Employee performance	0,28	> 0,50	Not Good

Table 12 The Test of Reliability – Full Order Mode

Variable latent	CR	STD	Result
Leadership style	0,66	> 0,70	Not Good
HR Practices	0,70	> 0,70	Good
Organizational culture	0,75	> 0,70	Good
Employee performance	0,68	> 0,70	Not Good

In Table 11, all latent variables have not met the validity test. It indicates that all indicator variables cannot describe or assess the related latent variables properly. However, for the results of reliability testing in Table 12, only the latent variables of leadership style and HR performance have not met the requirement. It implies that not all variable indicators can represent the real condition in employees. Moreover, the result of loading value in each variable indicator does not meet the minimum value of 0,7 per measurement. Thus, the variable indicators are not strong enough for representing the employees' condition. The

conclusions are not good enough because of the results of the validity and reliability test with the full order mode.

Then, the analysis is continued with the trimmed mode. The selection of indicator variables is made by setting aside the variables with the smallest loading value below 0,7 in the measurement model based on the full order mode. This process is repeated until all indicators are fit.

Table 13 The Standardized Loading Value on Leadership Style (LS) – Trimmed Mode

Variable indicator	Loading value	T-value	Significant
Active exception			
LS5	0,71	15,83	**
LS6	0,77	21,27	**
LS7	0,72	14,84	**

Table 14 The Standardized Loading Value on Employee Performance (EP) – Trimmed Mode

Variable indicator	Loading value	T-value	Significant
Quality			
EP5	0,79	24,15	**
EP6	0,80	29,76	**
Punctuality			
EP8	0,77	18,02	**

Table 15 The Standardized Loading Value on HR Practices (HR) – Trimmed Mode

Variable indicator	Loading value	T-value	Significant
Performance appraisal			
HR9	0,75	22,82	**
Training			
HR10	0,73	17,59	**
HR11	0,75	20,19	**

Table 16 The Standardized Loading Value on Organizational Culture (OC) – Trimmed Mode

Variable indicator	Loading value	T-value	Significant
Market			
OC9	0,81	33,07	**
OC10	0,76	20,88	**
Hierarchy			
OC11	0,73	20,83	**

In Table 13, it selects three indicators that meet the requirement from ten first-level indicators. Moreover, for employee performance in Table 14, it has three indicators that meet the required number (0,7) from eight first-level indicators. Then, as seen in Table 15, there are three indicators in HR Practices (HR) that meet the requirement from 14 first-level indicators. In an organizational culture (see Table 16), it has three indicators. Those meet the required number of 0,7 from 14 first-level indicators.

After the trimmed mode obtains the results of the standardized value test, the results of the loading value are obtained above 0,7 with significant criteria at the level of 5%. Then, 12 indicators are considered to meet the criteria for the validity and reliability test.

Table 17 The Test of Validity – Trimmed Mode

Variable latent	AVE	STD	Result
Leadership style	0,55	> 0,50	Good
HR Practices	0,54	> 0,50	Good
Organizational culture	0,59	> 0,50	Good
Employee performance	0,62	> 0,50	Good

Table 18 The Test of Reliability – Trimmed Mode

Variable latent	CR	STD	Result
Leadership style	0,78	> 0,70	Good
HR Practices	0,79	> 0,70	Good
Organizational culture	0,81	> 0,70	Good
Employee performance	0,83	> 0,70	Good

In Tables 17 and 18, all latent variables have met the requirement of validity and reliability tests. In the validity test, because the AVE value is already above 0,5, it is considered that the indicator variables can measure the latent variables properly. For the reliability test, the CR value is above 0,7 (close to number 1). It shows that the indicator variable has a good consistency value. It also means that all selected variable indicators represent employee conditions.

Next, the research hypothesis test is done by using the path coefficient value along with the t-test value. The path coefficient value symbolizes the relationship between a latent variable and other latent variables. This value generally has no limits. The negative value indicates a negative relationship. Meanwhile, the positive value shows a positive relationship. The greater the value is, the higher the strength of the relationship between latent variables will be. Then, the t-value is used to see if the path coefficient value is statistically significant or not. The significance means that the relationship between latent variables occurs systematically rather than opportunities.

Table 19 The Results of Hypotheses Test

Variable latent	Path Coefficient	T-Value*	Hypotheses Result **
H1	0,03	0,48	Rejected
H2	0,06	0,83	Rejected
H3	0,16	2,20	Accepted
H4	-0,07	0,81	Rejected
H5	-0,05	0,50	Rejected

Based on Table 19, the results of the model analysis show that there are four rejected hypotheses. Those are H1, H2, H4, and H5. Meanwhile, there is only one accepted hypothesis H3.

The leadership style variables in H1, H2, and H5 have a positive path coefficient value of 0,03, 0,06, and -0,05 towards HR Practices, organizational culture, and employee performance. It means that the leadership style has a strong relationship with HR Practices and organizational culture. However, in the t-test value, it is not significant at the 5% level of 0,48 and 0,83. Thus, those hypotheses are rejected. Moreover, for employee performance, because it has a negative value for the path coefficient, the hypothesis is immediately rejected. It does not have a positive relationship with the employee performance variable. For H1, the result is not in line with Wahba (2016) that stated that the leadership style had a significant relationship with talent management practices. In H2 result, the results do not match with Syarief *et al.* (2017). They agreed that transformational leadership influenced organizational citizenship behavior.

Similarly, for H5, the result is certainly contrary to previous research conducted by Pradeep and Prabhu (2011). They revealed that leadership style had a significant relationship with employee performance (effectiveness in work, satisfaction, extra effort and dependence, and research). In this company, the leadership style does not affect HR or employee performance. This means that the transactional leadership style applied now is not appropriate in influencing the application of HR Practices, organizational culture, and improving employee performance. In this case, the company leader needs to consider other leadership styles, such as transformational, contingency, and others.

In H3, the positive path coefficient value is 0,16, and the t-test value is 2,20 at the 5% level. It implies that H3 is accepted. This result is in line with Singh and Kassa (2016) showing a positive relationship between HRM practices and employee performance. The results also match with Otieno *et al.* (2015). They found that employee engagement was one of the strategies used by organizations in the horticultural sector to improve their performance. The result shows that HR practices and activities have a significant impact on employee performance. HR practices at this company can increase the level of employee performance. Then, it affects employee perceptions of performance.

Next, the organizational culture in H4 has a negative path coefficient value of -0,07. Moreover, the t-test value is 0,81 at the 5% level. It means this hypothesis is rejected. The organizational culture of this company does not influence the positive performance of employees, unlike the research conducted by Nasir *et al.* (2014). After analyzing the primary data, it has been found that all four dimensions have a significant and positive influence on performance management. However, the biggest factors are from the dimensions of mission and consistency. This means that the application of organizational culture is not appropriate yet. It does not have a positive influence that can improve employee performance.

In the previous studies, leadership style and organizational culture have a positive and significant effect on the employee or organizational performance. However, in this study, there is a unique and rare result that only HR practices have a significant relationship with employee performance. It means that whoever the leader is or whatever applied organizational culture is, it does not have impacts and implications on employee performance.

## CONCLUSIONS

Based on this research, only HR practices have significant relationship with employee performance. Meanwhile, leadership style and organizational culture do not affect employee performance significantly. With this research result, there are some contributions to science and practices not only to paint industrial manufacturing but also to all kinds of manufacturers that have typical characteristics. At this moment, HR practices are more relevant and have a significant effect than the other factors. There are several limitations faced in this study. First, it is the limited available time of respondents. Second, it is the studies in the same problem and topic, which limits the comparisons of the recent results with the previous studies.

For further research, it can be carried out on industrial area sector especially in paint manufacture. In addition, future researchers can add another variable such as motivation, remuneration and work values indicators which have relation to the implications of employee performance.

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