

Employee Satisfaction As A Mediating Variables
On The Influence Of Organizational Culture
On The Financial Performance Of The Company

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Abstract

This study aims to determine employee satisfaction as a mediating variable on the influence of organizational culture on company financial performance. As we all know human is the most important factor in improving company performance. Therefore, the variable employee satisfaction is something that needs to be examined in an indirect relationship to a good organizational culture in increasing the maximum company's financial performance. The research population used was all employees of the Village Credit Board who are members of the Joint Village-Owned Enterprise (BUMDesa Bersama) "Brayan Bumi Banyumas". As many as 60 employees were studied to fulfil data needs. The data in this study were analyzed using Partial Least Square (PLS) and carried out with the help of smart-PLS software.

Keywords: organizational culture, employee satisfaction, company financial performance.

1. Introduction

Company performance can be seen through various indicators. One of the indicators used as the basis for the assessment is the company's financial statements which are stated in the form of financial ratios to facilitate the analysis. If the performance of a public company increases, the value of the company will be even higher. According to the Indonesian Accounting Association (IAI, 1995), company performance can be measured by analyzing and evaluating financial reports. Information on past financial position and performance is often used as a basis for predicting future financial position and performance and other matters of immediate interest such as dividend payments, wages, price movements of securities and the company's ability to fulfil its commitments when due. Performance is an important thing that must be achieved by every company anywhere because performance is a reflection of the company's ability to manage and allocate its resources.

The view of financial performance that is identified with financial statements is shown by various studies. Factors that affect financial performance include non-performance loans (David, et al., 2012), leverage (Ludijanto, et al., 2014), liquidity (Demirgunes & Samiloglu, 2008), and capital structure (Hapau, 2018).). However, other research states that financial performance is also caused by organizational culture. Where a well internalized organizational culture will affect the financial performance of a company. This is confirmed by the results of research by Alagic (2017), the results of his research concluded that organizational culture is significantly correlated with financial performance. Other research also states that there is a positive influence on organizational culture on financial

performance (Davidson, et al., 2007; Limbunan and Tarigan, 2016; Golafzani and Chirani, 2016; Umrani, et al., 2017; Khan and Mir, 2018).

Although there are also studies that conclude that organizational culture does not affect financial performance. The results of Yesil and Kaya's (2013) research on companies in developing countries concluded that there was no effect of the dimensions of organizational culture on corporate finance. Likewise, research by Daud, et.al (2017) states that organizational culture and company finance are not related. However, both of them suggest further research, because of the study sample limit.

Regarding the results of research on the existence of an organizational culture that affects financial performance, various opinions have emerged. What factors can mediate the influence of organizational culture on financial performance? According to Limbunan and Tarigan's research (2016), the factor that mediates the influence of organizational culture on financial performance is owner behaviour on environmental management issues. On the other hand, Sugiyanto's research results (2018) concluded that there was an influence of organizational culture on financial performance due to the application of cooperative principles.

The results of the empirical literature study also show that employee satisfaction is also proven to affect the company's financial performance (Hassan, et.al., 2013). The results of Hatane's (2015) study concluded that employee performance and satisfaction are variables that mediate the effect of organizational learning on financial performance.

Seeing the research gap above, this study aims to investigate employee satisfaction as a mediating variable for the influence of organizational culture on financial performance at the Village Credit Agency as one of the joint village-owned business units "Brayan Bumi Banyumas".

2. Literature review

2.1. Culture Organization

Organizational culture is defined as the unique characteristics of an organization and is used as a guideline for the organization in carrying out its activities so that its uniqueness can differentiate it from other organizations. In other words, organizational culture is a set of values and behavioural norms that are understood, accepted, and carried out by all members of the organization. Denison (1990) states that organizational culture is the values, beliefs and basic principles that are the foundation for management systems and practices and behaviours that enhance and reinforce these principles. According to Schein (1992: 12), organizational culture is an archetype accepted by organizations to act and solve problems, form employees who can adapt to the environment and unite organizational members. For this reason, it must be taught to members including new members as a correct way of assessing, thinking and feeling the problems at hand. Robbins (1996: 289) suggests that organizational culture is a shared perception held by members of the organization. The definition of organizational culture is also proposed by Mondy and Noe (1996), that organizational culture is a system of shared values, beliefs, and habits that exist in an organization that interacts with its formal structure to create behavioural norms.

Organizational culture is more influenced by the way creative leaders communicate in the work environment. When these leaders are the architects of organizational culture, the culture that has been built affects the leadership style (Schein, 2010). A leader in shaping a work culture will later help members achieve the goals set together. Therefore, organizational culture, job satisfaction and leadership are closely related. A leader can be influenced or influence, shape or be shaped by various cultures in various work environments. Organizational culture affects the behaviour of members or individuals and groups within an organization. The organizational culture that exists within the organization can be strong and it can be weak. Culture is said to be strong if these shared values, attitudes and beliefs are understood and adhered to firmly and with high commitment so that a sense of togetherness can be created. On the other hand, a weak organizational culture is reflected in the lack of commitment/employees to the values, beliefs and shared attitudes that are usually carried out or agreed upon. (Siswanto and Sucipto, 2008: 146).

2.2. Employee Satisfaction

According to Nancy C. Morse (1997), "satisfaction refers to the level of meeting one's needs and desires. Satisfaction depends on what the individual wants from the world, and what he gets. Employee satisfaction is a measure of workers' comfort with their work and work environment. "Employee satisfaction is a terminology used to describe whether employees are happy, have an opinion and fulfil their wants and needs in the workplace. Many measures support that employee satisfaction is a contributing factor to employee motivation, the achievement of employee goals and positive employee morale in the workplace ", Susan M. Health Field (About.com, 2011). Cranny, et al., (1992) provide an understanding that employee satisfaction is a combination of affective reactions to different views about what one wants to receive compared to what is received. According to Moyes, Shao & Newsome (2008) employee satisfaction is described as the degree of employee happiness with their job position. Employee satisfaction is a term that comprehensively consists of employee job satisfaction and their overall satisfaction with company policies, work environment, and others.

According to Heskett et al., (1994), more satisfied employees will stimulate various positive actions that impact on increasing company performance. Other studies conclude that employee satisfaction is proven to affect employee productivity, absenteeism and retention, Allen & Wilburn, (2002). The success of the company is directly related to employee satisfaction. And the most important thing is to retain people who have the talent for organizational success (Freeman, 2005). The Human Relations perspective states that productive workers are workers who have satisfaction (Likert, 1961 and McGregor, 1960). Therefore, organizational efficiency and productivity can be achieved through employee satisfaction and company attention to employees' physical, social and emotional needs.

2.4. Financial Performance

Financial performance is the company's financial condition during a certain period which includes the collection and use of funds as measured by several indicators of the ratio of capital adequacy, liquidity, leverage, solvency, and profitability. Financial performance is the company's ability to manage and control its resources (IAI, 2016). Based on financial performance measures, interested parties can make use of this information. Because this analysis can be used to answer various questions about the company's financial condition (Jumingan, 2006: 44).

Management of companies in operation requires financial performance measurement tools to evaluate the company. According to Munawir (2002: 50), financial performance is "the ability of a company to use its capital effectively and efficiently to get maximum results". The measurement of the company's financial performance arises as a result of the management decision-making process. This is a more complex task because it involves the effectiveness of utilizing all available resources so that they can be optimized.

3. Research Methodology

3.1. Research Model

This study examines the positive relationship between organizational culture (OC) and financial performance (FP) and the influence of employee satisfaction (ES) as a mediating variable. Figure 1 below shows the research model in this study with 4 (four) hypotheses:

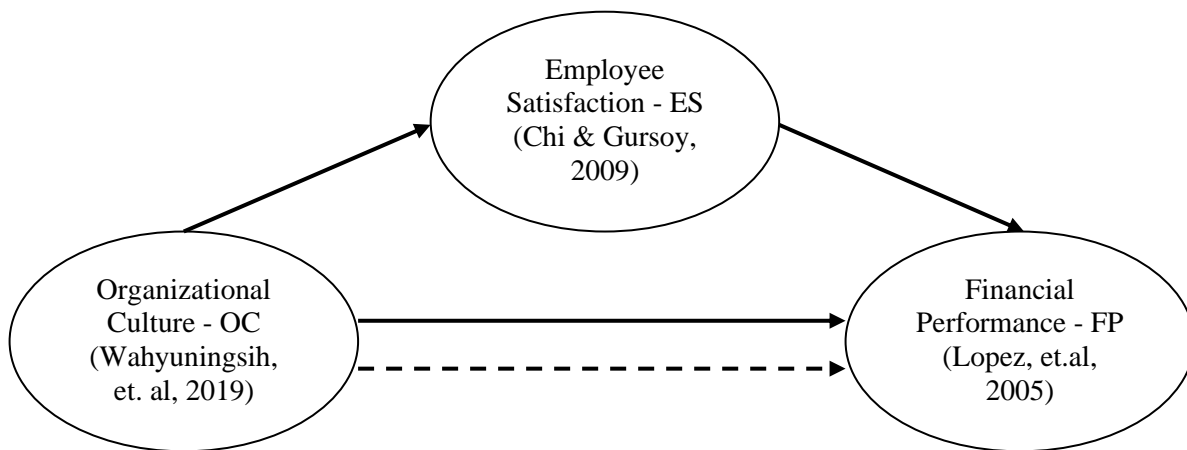


Figure 1. Research Model

- H1 : Organizational culture has a positive relationship with financial performance
- H2 : Organizational Culture has a positive relationship with Employee Satisfaction
- H3 : Employee satisfaction has a positive relationship with financial performance
- H4 : Employee Satisfaction mediates a positive relationship between Organizational Culture and Financial Performance

3.2. Instrument

The population used in this study were all employees of the Village Credit Board (BKD) who joined the Joint Village-Owned Enterprise (BUMDesa Bersama) "Brayan Bumi Banyumas". This is intended to be able to absorb the overall answers from employees. The unit analysis used is the company. Filling in the questionnaire is done by distributing a questionnaire containing a list of questions using a 5-point Likert scale, where scale 1 strongly disagree and scale 5 strongly agree.

The research instrument was taken from Wahyuningsih, et.al (2000) using 4 items for OC; Lopez, et al (2005), use 4 items for FP, and Chi & Gursoy (2009) use 4 items for (ES). The exogenous variable in this study was OC and the endogenous variable was FP, while ES was used as the mediating variable. Structural equation models (SEM) are used to test the effect of each variable in the research model. The number of respondents was 60 people. Due to

limited data, the structural equation modelling method - partial least square (SEM-PLS) is used.

4. Results and Discussion

4.1. Validity and Reliability Analysis

A construct that has a high correlation is a must for convergent validity. While the test is carried out by factor loading. Where the reflective indicator can be said to have convergent validity if the outer loading value is higher than 0.5. From the results of the initial calculations it is known that of the 4 indicators for OC, there are 3 items whose value is above 0.5. For FP, of the 6 indicators, there are 3 items whose value is above 0.5. While the ES of the 4 indicators, there are 2 items whose value is above 0.5. However, research can still be done because the indicators used can still be said to be valid. This is because the validity of the indicators is still above 50% of the indicators for each variable used. The validity discrimination relates to the principle that the measuring device of different constructs should not have a high correlation. This can be seen from the measurement of the factors in the cross-loading factor of the construction. Besides, to test for discriminant validity is to make sure that the AVE root for each construct is higher than the correlation between the other constructs in the model. Table 1 shows that the model has met the requirements of the discriminant validity test.

Table 1. Cross loading factor

	OC	ES	FP
OC1	0,821		
OC3	0,826		
OC4	0,851		
ES3		0,903	
ES4		0,870	
FP3			0,880
FP5			0,834
FP6			0,782

Reliability shows the consistency and accuracy of the measuring instrument to take measurements. In the reliability test, two types of tests can be used, namely composite reliability and Cronbach's alpha. Composite reliability is used to measure the true value of construct reliability; whereas Cronbach's alpha was used to measure a lower reliability threshold. The construct must have a composite reliability value > 0.7; and Cronbach's alpha > 0.6. In table 2 it can be seen that this model has met the requirements of the reliability test.

Table 2. Discriminant validity and reliability

	Cronbach's Alpha	Composite reliability	Average Variance Extracted (AVE)	R Squaere
OC	0,779	0,871	0,693	
ES	0,730	0,880	0,786	0,179
FP	0,786	0,871	0,693	0,479

4.2. Inner Model and Goodness of Fit

The inner model is a structural model for predicting causal relationships between latent variables. Through the bootstrapping process, T-Statistical test parameters are used to predict significant causal relationships. Where the T-Statistics value must be > 1.96. While the R-Square value is used to measure the degree of variation from changes in exogenous variables to endogenous variables. Please note that R-Square is not an absolute measure to explain the causality relationship. Table 3 shows that the T-Statistic for each relationship is higher than 1.96. This shows that there is a significant relationship between variables. This means that the hypothesis tested in this study is accepted. Table 2 shows the R square for each equation. The equation models developed are:

$$ES = -0,423 OC + e \quad R^2 = 17,9\%$$

$$FP = 0,635 LO + (-0,303 ES) + e \quad R^2 = 47,9\%$$

Table 3. Results of Inner Weights

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistic (O/STERR)	Path Coefficients
ES -> FP	-0,303	-0,323	0,149	2,029	-0,303
OC -> ES	-0,423	-0,433	0,122	3,469	-0,423
OC -> FP	0,635	0,638	0,117	5,449	0,507

The goodness of fit in the model is tested using the Stone-Geisser Test (Q^2). The Q^2 test is used to measure how well the observation value generated from the model:

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2)$$

$$Q^2 = 1 - (1 - 0,179)(1 - 0,479)$$

$$Q^2 = 0,428 = 42,8\%$$

The Q^2 result implies that the model used in this study can explain the information from the data by 42.8%.

Table 4. The Comparison of The Intervening and Direct Influenced Power

The Intervening Model	The Intervening Power		The Direct Power OC – FP	Results
OC -> ES -> FP	(-0,423) x (-0,303)	= 0,1281	0,635	Intervening > Direct

Table 4 shows the ability of the mediating variable to mediate. The table shows that satisfaction succeeds in being a mediating variable for the relationship between organizational culture (OC) and financial performance (FP).

5. Discussion

This study found that there is a significant difference between organizational culture (OC) and employee satisfaction (ES). But in the opposite direction. Employee satisfaction (ES) also has a significant relationship in financial performance (FP) in the opposite direction.

Therefore, this study also shows that employee satisfaction is not a mediating variable for the relationship between organizational culture (OC) and financial performance (FP).

Respondents in this study argue that to improve the company's financial performance, employee satisfaction is something that must be considered. A good organizational culture is maintained. By internalizing organizational culture and fulfilling employee satisfaction will have a good influence on the company's financial performance.

6. Conclusion

The results of this study reveal the direct and indirect influence of organizational culture on financial performance. The indirect effect used is employee satisfaction as a mediating variable. Using structural equation modelling as a statistical tool, the results show that employee satisfaction does not mediate the influence of organizational culture on company financial performance. Organizations, especially in the business field, must maintain a good organizational culture. This study shows that increasing employee satisfaction will increase the application of a good organizational culture. Furthermore, organizational efforts to increase employee satisfaction will lead to the application of a good organizational culture, which in turn will lead to the achievement of profit growth.

This study examines the influence of organizational culture (OC) and employee satisfaction (ES) in the Village Credit Board which is a part of the Joint Village-Owned Enterprise "Brayan Bumi Banyumas". Different results can be found in the research uses a different scope or different characteristics. Improvements in this area are always needed because of the dynamic business environment. This field of research is also concerned with the personality of the people in organizations that are always changing.

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