

## **Servant Leadership and Employee Performance : Does Organizational Commitment Mediate in the Model ?**

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**Abstract.** Human resources are not only defined as what human resources do but also what human resources produce. The low level of productivity at Pt Hanwa Steel Service Indonesia is a serious problem for the company. The purpose of this study was to examine and explain the effect of servant leadership on employee performance & organizational commitment, the effect of organizational commitment on employee performance, and to determine the role of organizational commitment as a mediator of the influence of servant leadership on employee performance. This research quantitative descriptive. The data were collected using an instrument in the form of a questionnaire. The sample of this research is 60 employees of the production department of Pt Hanwa Steel Service Indonesia. The analytical tool for testing the hypothesis in this study is partial least square (PLS). The results showed that servant leadership has a positive and significant effect on employee performance & organizational commitment, organizational commitment has a positive and insignificant effect on employee performance and organizational commitment cannot mediate the effect of servant leadership on employee performance.

**Keywords:** Servant Leadership, Organizational Commitment, Employee Performance, Strategy.

### **1. INTRODUCTION**

Human resources are not only defined as what human resources do but also what human resources produce. Human resources are considered to have a bigger role in organizational success so that many organizations now realize that the "human" element in the organization can provide a competitive advantage (King et al., 2016). The behavior and production results of human resources cannot be separated from what is called performance. Performance is a concept that explains how a person can use his or her real potential or knowledge, skills, and abilities to achieve one's own goals or expectations. (Altındağ & Köseadağı, 2015).

Organizational leadership is an important factor in the process or effort to improve individual and organizational performance. Leadership is an individual's ability to influence, inspire, and contribute to the effectiveness and improvement of a company (Dartey-Baah, 2015). There are many forms of leadership, including authoritarian leadership, charismatic leadership, and servant leadership. Among the three types of leadership, the most effective for employees is servant leadership (Shekari & Nikooperavar, 2012).

Servant leadership is a type of leadership that empowers and develops employees with an attitude of humility, purity, and respect. Leaders who serve will provide direction and be responsible for the organization or company they lead (van Dierendonck & Nuijten, 2011). Servant leaders are characterized by strong conceptual skills, a high level of integrity, and

care for their subordinates. Besides, servant leadership actively emphasizes that subordinates must also place the needs of others above themselves, thus encouraging subordinates to practice their behavior. (Liden et al., 2014). Servant leadership has a significant and positive effect on employee performance (Farling et al., 1999).

Servant leadership creates an atmosphere of growth among individuals, which makes people believe in individuals better so that employees in the organization are led by leaders who serve more faithfully to the organization. (Drury, 2004). Whereas organizational commitment is the level at which employees associate themselves with certain organizations, the goals, and expectations of maintaining membership in the organization (Robbins & Judge, 2017).

Organizational commitment reflects that individuals identify with the organization and are committed to achieving organizational performance (Kreitner & Kinicki, 2014). According to previous research, there is a close relationship between organizational commitment and employee performance (Micheal Armstrong, 2009). Servant leadership has a great influence on organizational commitment and employee performance, but organizational commitment variables do not have a significant effect on employee performance (Harwiki, 2013). This is what makes the writer interested in examining the variables in this study is a study where the production department of PT Hanwa Steel Service Indonesia will be the object of his research.

PT Hanwa Steel Service Indonesia is a company engaged in steel coil services which operate in the city center of Cikarang, precisely in the MM2100 industrial area of West Cikarang. PT HSSI's vision and mission are to become the number one trusted coil center in Indonesia, therefore PT HSSI highly appreciates existing human resources as the company's main capital to successfully overcome increasingly fierce industrial competition. PT HSSI is committed to fostering professional and quality human resources because quality human resources are an important aspect in maintaining prime competition and become one of the important factors that support the realization of organizational / company goals.

Employee performance is an important aspect of the company because good employee performance has an important influence in achieving company goals. We can see many aspects to determine company performance, one of which is by examining the achievement of production targets from year to year. Employee performance at PT Hanwa Steel Service Indonesia is still low because the targets set by the company, which on average have not been achieved, are based on productivity data for the last three years, particularly at the production department of PT Hanwa Steel Service Indonesia. In this case, employee performance plays an important role in achieving organizational goals. Improved employee performance is a determining factor in improving organizational performance, because of the lower the level of employee productivity, the lower the productivity of the company. If the productivity of the company is low, the goals of the organization will be difficult to achieve. The performance of PT Hanwa Steel Service Indonesia employees is indeed low, many factors influence this, ranging from leadership styles that are not properly applied in the company and low employee commitment to the organization.

Theoretical studies and research results show that the influence between the variables studied in the study mostly proves that serving leadership and high organizational commitment can directly improve employee performance. Although empirically from the results of previous studies there are contradictions both directly and indirectly (mediation). (Nasbin, Harlina, 2018).

## **2. LITERATURE REVIEW**

### **2.1. Servant Leadership**

Leadership is an individual's ability to influence, inspire, and contribute to the effectiveness and improvement of a company (Dartey-Baah, 2015). The term servant leadership (serving leadership) was first popularized by Robert. K Greenleaf in his writings entitled *The Servant as Leaders* in 1973 he proposed that a leader must see himself as a servant first. (Greenleaf, 1973). Servant leadership can be broadly defined as the desire of the leader to motivate, guide, offer hope, and provide caring experiences by building quality

relationships with followers and subordinates. (Spears & Lawrence, 2002). Serving leaders are those who serve with a focus on subordinates (Dennis & Bocarnea, 2005). Leaders who serve will provide direction and be responsible for the organization or company they lead (van Dierendonck & Nuijten, 2011). Servant leaders are characterized by strong conceptual skills, a high level of integrity, and care for their subordinates. Besides, serving leadership actively emphasizes that subordinates must also place the needs of others above themselves, thus encouraging subordinates to practice their behavior. (Liden et al., 2014). There are seven indicators in measuring servant leadership, namely: love, humility, altruism, vision, trust, serving, and empowerment. (Patterson & Stone, 2003).

## **2.2. Organizational Commitment**

Organizational commitment is the degree to which employees associate themselves with specific organizations, their goals, and expectations for maintaining membership in the organization (Robbins & Judge, 2017). Organizational commitment is an attitude that reflects the extent to which an individual recognizes and is bound to his organization (Moorhead & Griffin, 2008). Organizational commitment reflects that individuals identify with the organization and are committed to achieving organizational performance (Kreitner & Kinicki, 2014). There are three components in organizational commitment, namely: affective commitment refers to the emotional attachment of employees, identification with, and involvement in the organization. Employees with a strong affective commitment continue working with the organization because they want to. Ongoing commitment refers to being aware of the costs associated with leaving the organization. Employees whose primary relationship with the organization is based on ongoing commitment remain because they need to. Finally, normative commitment reflects a feeling of obligation to continue with work. Employees with a high level of normative commitment feel that they must stay with the organization (Meyer & Allen, 1997).

## **2.3. Employee performance**

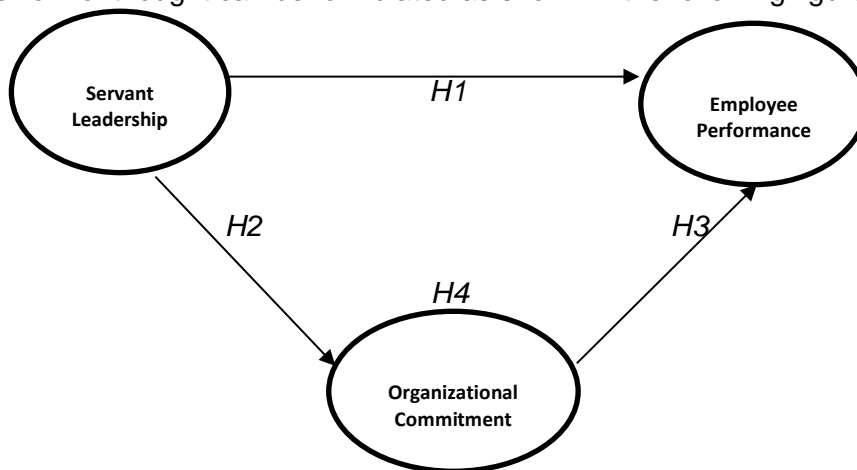
Employee performance is an important aspect of the company because good employee performance has an important influence in achieving company goals. Performance is a concept that explains how a person can use his or her real potential or knowledge, skills, and abilities to achieve one's own goals or expectations. (Altındağ & Köseadağı, 2015). Performance is a quantitative and qualitative expression, in which the person, group, or business doing work can achieve the goals that have been set (Baş & Artar, 1990).

To find out whether an employee's performance is good or bad, it is necessary to conduct performance appraisals and evaluations, which are performance appraisals and evaluations are key factors in developing an organization effectively and efficiently. Performance appraisal is a process by which the organization oversees the implementation of individual employee work (Simamora, 2006). Performance evaluation is an activity carried out to measure the extent to which employees are doing their job (Mathis & Jackson, 1991). Performance evaluation aims to improve employee performance and provide administrative decisions such as salary, promotion, and dismissal, according to the results of the performance evaluation. To improve employee performance, first of all, it is necessary to identify staff, to distinguish between successful and unsuccessful staff (Pinar, 2012). In measuring performance, there are five measurement scales, namely: Employee identification with the company, in-role performance, creativity, customer service behaviors, turnover intentions (Mael & Ashforth, 1992).

## **2.4. Hypotheses and Frameworks**

Based on the theoretical review and review of the results of previous studies that have been described, it can be concluded that the increase in employee performance is universally influenced by various factors. This study focused on serving leadership,

organizational commitment, and employee performance. Based on this description, a framework of thought can be formulated as shown in the following figure:



**Figure 1. Framework**

The hypotheses to be examined in this study are:

H1: Servant leadership has a positive and significant effect on employee performance

H2: Servant leadership has a positive and significant effect on organizational commitment

H3: Organizational commitment has a positive and significant effect on employee performance

H4: Servant leadership has a positive and significant effect through an organizational commitment to employee performance

### 3. RESEARCH METHODS

Research-based on the activities conducted by researchers is classified into four types, namely the reporting study, descriptive study, explanatory study, and predictive study (Cooper & Schindler, 2003). This study uses a quantitative descriptive method where the aim is to describe a phenomenon, event, symptom, and incident that occurs factually, systematically, and accurately by using numbers that describe the characteristics of the subject under study. The sampling technique in this study was simple random sampling with the Slovin margin of error formula of 10%, obtained 60 samples. The instrument in retrieving data for this study was in the form of a questionnaire that contained several questions about perceptions or views of the problem under study using a Likert scale using five answer choices. The data that has been collected is then analyzed using the Partial Least Square (PLS) analysis tool.

### 4. RESULTS AND DISCUSSION

#### 4.1. Reliability Test

The validity and reliability criteria can also be seen from the reliability value of a construct. Composite reliability that measures a construct can be evaluated with two kinds of measures, namely internal consistency and Cronbach's alpha. (Ghozali, 2006). The following is a table of Composite reliability and Cronbach's alpha values:

**Table 1. Value of Composite Reliability and Cronbach's Alpha**

	Cronbach's Alpha	Composite Reliability
Serving Leadership (KM)	0.928	0.940
Employee Performance (KK)	0.897	0.916
Organizational Commitment (KO)	0.842	0.883

The construct was declared reliable if the Composite Reliability value is above 0.7 and the Cronbach's Alpha value is above 0.6 (Ghozali, 2008). Based on the table of composite reliability values and Cronbach's alpha research above, it can be concluded that all research variables are declared reliable.

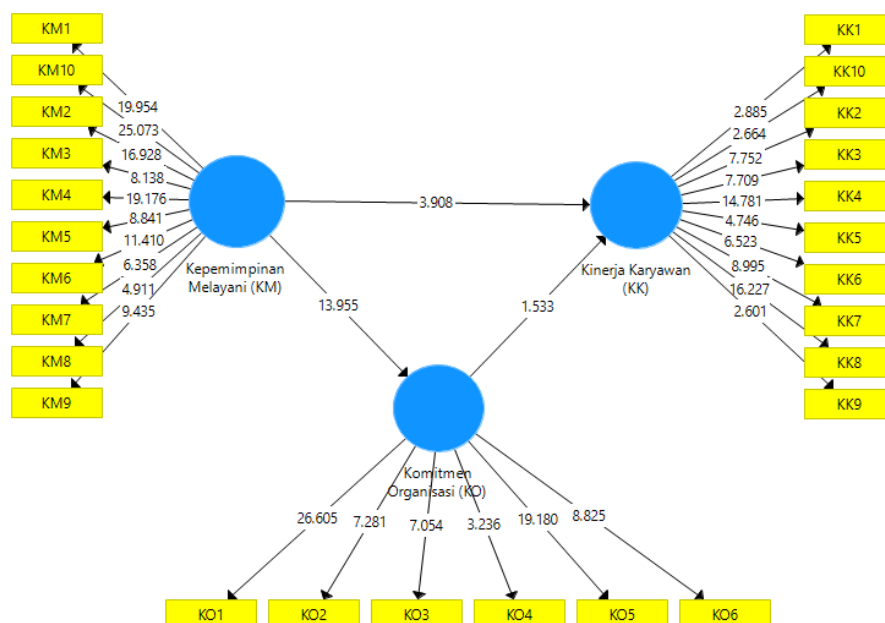
#### 4.2. Structural Model Testing

The structural model (inner model) is evaluated by looking at the R-square value. Testing of the structural model (inner model) is carried out after the relationship model built in this research is by following under with the observed data and the suitability of the overall model (goodness of fit model). The following is the R-square table in this study:

**Table 2. R-square**

	<i>R-square</i>
Employee Performance (KK)	0.55
Organizational Commitment (KO)	0.574

From this table, it can be concluded that: The leadership model serves to employee performance produces an R-square value of 0.55 (strong), which means that the variability of the employee performance construct can be explained by the variable serving leadership construct of 55.0% while 45.0% is influenced by other variables which are not tested in this research. The influence model of the organizational commitment variable with an R-square value of 0.574 (strong), which means that the variability of the organizational commitment constructs with the dependent variable, namely serving leadership and employee performance, is 57.4% while 42.6% is influenced by other variables which are not tested in this study. After the determination test, analysis is carried out to determine the causal relationship to explain the direct or indirect effect between exogenous variables and endogenous variables by performing bootstrapping analysis to obtain predictions from the results of the path analysis in this research model. The following is a path analysis image with bootstrapping analysis:



**Figure 2. Inner Model Bootstrapping**

#### **4.3. Hypothesis testing and direct and indirect effect path coefficients**

Hypothesis testing and direct effect path coefficients between the tested variables can be seen from the results of data processing through the Path Coefficient and Specific Indirect Effect which explains the coefficient values of the T value and P-value to be a reference for the causal relationship in this model. The following is a Path Coefficient table which can explain the direct effect between the variables being tested:

**Table 3. Path Coefficient**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (  O / STDEV  )	P Values
Serving Leadership -> Employee Performance	0.542	0.54	0.139	3,908	0
Serving Leadership -> Organizational Commitment	0.758	0.765	0.054	13,955	0
Organizational Commitment - > Employee Performance	0.241	0.257	0.157	1,533	0.126

The test results on the first hypothesis (H1) which we can see in the path coefficient table prove that servant leadership has a positive and significant effect on employee performance. This means that the more positive and significant the application of serving leadership is, the more positive and significant the employee's performance will be. The findings of this study are in line with previous studies which state that there is a strong relationship between serving leadership and employee performance, one of which was started by (Harwiki, 2013) and (Muhtasom et al., 2017). The form of servant leadership is the most ideal form of leadership for subordinates where the more ideal the leader for the subordinates, the higher the value of the subordinates' performance. The implementation of this form of servant leadership at Pt Hanwa Steel Service Indonesia can be said that it has not been implemented properly because the level of employee performance at the company is arguably low where the production targets set by the company have not yet been achieved. This should be of particular concern to management because seeing the magnitude of the influence of the form of servant leadership on employee performance greatly influences the achievement of organizational goals. The implementation of the lead form servant at Pt Hanwa Steel Service Indonesia must be improved so that the performance of its employees also increases,

The results of testing the hypothesis second (H2) which we can see in the path coefficient table prove that servant leadership has a positive and significant effect on organizational commitment. This means that the more positive and significant the application of serving leadership will be, the more positive and significant the level of organizational commitment will be. The findings of this study are in line with previous studies which state that there is a strong relationship between servant leadership and organizational commitment, one of which was started by (Harwiki, 2013). However, the results of this study are also not in line with previous research which states that serving leadership does not have a significant relationship with organizational commitment, one of which was started by (Wahyuni et al., 2014). A form of serving leadership that empowers and develops employees with a humble, genuine, and respectful attitude will form a strong organizational commitment for subordinates. In organizational commitment, individuals who have a high commitment to the organization will try their best to achieve organizational goals. It is important for management to increase organizational commitment for each of its employees, this is also a good strategy for the company that can be applied to Pt Hanwa Steel Service Indonesia to improve organizational performance. A form of servant leadership that has a positive and significant impact on organizational commitment is also one of the strategies

that must be carried out in an effort to improve organizational performance in order to achieve organizational goals.

The results of testing on the third hypothesis (H3) which we can see in the path coefficient table prove that organizational commitment has a positive but not significant effect on employee performance. This means that the increase in organizational commitment is positive in the direction of employee performance but does not have a significant effect on employee performance. The findings of this study are not in line with previous studies which state that there is a strong relationship between organizational commitment to employee performance, one of which was started by (Michael Armstrong, 2009) and (Al Zefeiti & Mohamad, 2017). Based on the results of research conducted, an increase in organizational commitment at Pt Hanwa Steel Service Indonesia will also improve employee performance but the impact is not significant. This makes an increase in organizational commitment for each individual at Pt Hanwa Steel Service Indonesia does not have a significant effect on improving the performance of each employee. Although the impact of organizational commitment is not significant on employee performance, management should also not ignore organizational commitment where this variable is also very influential on other variables not tested in this study that have direct or indirect effects on employee performance.

To determine the direct effect between the variables tested in this study, it can be seen from table 3 Path Coefficient above, while to see the indirect effect (mediation) in this study we can see in table 4 the Specific Indirect Effect. The following is a table of the Specific Indirect Effect which can explain the indirect effect between the tested variables:

**Table 4. Specific Indirect Effect**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (  O / STDEV  )	P Values
Serving Leadership -> Organizational Commitment - > Employee Performance	0.183	0.194	0.118	1,544	0.123

The test results on the fourth hypothesis (H4) which we can see in the Specific Indirect Effect table prove that serving leadership has a positive but not significant effect through an organizational commitment to employee performance. This means that the organizational commitment variable cannot mediate the influence of serving leadership on employee performance. The findings of this study are not in line with previous studies which state that organizational commitment can mediate the influence of servant leadership on employee performance as suggested by (Setyaningrum et al., 2017). Based on the results of testing the indirect influence between the variables tested in this study which states that the variable organizational commitment cannot mediate the effect of serving leadership on employee performance at PT Hanwa Steel Service Indonesia which cannot be separated from the results of testing the influence of organizational commitment variables on employee performance which was found not significant effect makes the results of this test quite reasonable. Organizational commitment variables that cannot mediate the influence of servant leadership on employee performance at Pt Hanwa Steel Service Indonesia are a small part of the many variables that directly or indirectly affect employee performance that is not tested in this study.

## CONCLUSION

Servant leadership has a positive and significant effect on employee performance at Pt Hanwa Steel Service Indonesia. Serving leadership has a positive and significant effect on organizational commitment at Pt Hanwa Steel Service Indonesia. Organizational commitment has a positive but not significant effect on employee performance at Pt Hanwa

Steel Service Indonesia. Servant leadership has a positive but not significant effect through an organizational commitment to employee performance at Pt Hanwa Steel Service Indonesia. This study only tested two of the many variables that affect employee performance so that there are still many other variables to be re-tested with the model. the same or not as in this research in the future.

Employee performance levels at Pt Hanwa Steel Service Indonesia which can be said to be low proves that the implementation of a form of serving leadership which has a considerable influence on employee performance at the company is still not effective, management/company must pay attention to this problem so that efforts to improve employee performance can be realized. Organizational commitment variables in this study which are proven to have no significant effect on employee performance and also cannot mediate the effect of servant leadership on employee performance should not be ignored by management/company because organizational commitment variables can affect directly or indirectly other variables. which is not tested in this study which has an effective employee performance.

Efforts to improve employee performance which greatly affect organizational performance in each company have different ways. The results of this study provide a little description for Pt Hanwa Steel Service Indonesia and other companies to develop strategies to improve employee performance by involving the variables of serving leadership and organizational commitment which are proven to improve employee performance, although the variable organizational commitment in this study is not proven to affect significantly and cannot mediate the effect of servant leadership on employee performance, however, the increase in the level of organizational commitment is positively in line with the increase in employee performance, although it does not have a significant effect.

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