

## Organizational performance in BAPAREKRAF Indonesia

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### Abstract

This study aims to analyze the factors that influence the organizational performance of BAPAREKRAF (The Ministry of Tourism and Creative Economic). BAPAREKRAF is the spearhead of a government agency for developing Indonesia's creative economy. This study's respondents are whole civil servants and civil servant candidates in BAPAREKRAF, in 194 respondents. This research shows that transformational leadership, organizational culture, managerial competence, organizational structure, and organizational trust affect organizational performance, but transactional leadership does not affect organizational performance. Besides that, transformational leadership, organizational culture, organizational structure affect organizational trust, but transactional leadership and managerial competence do not affect organizational trust. Furthermore, transformational leadership, transactional leadership, organizational culture, and organizational structure can be mediated by the trust in organizational performance. However, managerial cannot be mediated by trust in BAPAREKRAF's performance in realizing.

**Keywords:** *Managerial competency, Organizational performance, Transformational leadership, Transactional leadership*

**JEL Classification:** M12, M14

### INTRODUCTION

The development of free trade and the global economic crisis's threat requires all countries globally, including Indonesia, to compete in domestic and international markets. A creative economy is one solution to facing this competitive competition (Junaidi, 2017; Hardiani et al., 2019). The creative economy can contribute a considerable amount to Indonesia's Gross Domestic Product (GDP). Until the end of 2018, the creative economy's contribution to the national GDP was estimated to reach Rp 1,105 trillion and again increase to Rp. 1,211 trillion in 2019. Also, the increase in the creative economy workforce has increased, namely, in 2011, there were 13.45 million people who continued to increase until it reached 16,91 million people in 2016 (BAPAREKRAF, 2018).

The Indonesian government is well aware of the creative economy's potential for the development of national welfare. As the government's response to the creative economy, the Creative Economic Agency (BEKRAF) was formed and changed to the Tourism and Creative Economic Agency (BAPAREKRAF). Given the important role of BAPAREKRAF for the national economy, it is necessary to strengthen its organization. From the perspective of human resource studies, many factors affect organizational

performance.

One of the organizational performance is influenced by the leadership style. Arif & Akram's research (2018) concluded that transformational leadership affects organizational performance through organizational innovation's mediating role. Toufaily (2017) adds that transformational leaders prioritize subordinates' involvement, resulting in higher efficiency and satisfaction, leading to managerial and organizational performance. Ahmad & Ejaz (2019) added that a transformational leadership style positively influences organizational performance. Birasnav (2014) argues that leaders use values and ideologies that motivate their subordinates to specified achievement levels.

In addition to the transformational leadership style, there is also a transactional leadership style. Ahmad & Ejaz (2019) concluded that transactional leadership has the highest impact on organizational performance, followed by transformational leadership styles. According to Haq & Chandio (2017), in order to improve organizational performance, the transformational leadership style emphasizes the effectiveness and efficiency of employees, assesses organizational structure and structure, motivates employees by providing rewards and punishments to employees, follows strict rules and regulations, and monitors employee performance in the organization carefully

Organizational performance is inseparable from organizational culture. Sengottuvel & Aktharsha (2016) revealed that strategic emphasis has a potential impact on organizational performance among the various organizational culture dimensions. Kim & Chang (2018) found that clan culture and market culture were more prevalent than adhocratic cultures and that hierarchical and clan cultures would decline significantly over time. In contrast, adhocratic, clan, and market cultures have a consistently positive relationship and have the strongest impact on organizational performance. Meanwhile, Joseph & Kibera's research (2019) found that organizational culture significantly influences non-market performance.

An organization indirectly describes its managerial competence. Suárez, Martelo, & Franco (2018) found that managerial competence is a critical variable for achieving a healthy culture conducive to commitment quality and excellence in important educational institutions. Meanwhile, research by Ncube & Chimucheka (2019) concluded that managerial competence affects the performance of MSMEs.

An organization must have an organizational structure. Research by Nwonu, Agbaeze, & Obi-Anike (2017) concluded that the organizational structure of companies in manufacturing affects organizational performance. Estalaki (2017) finds a significant relationship between efficiency in industrial units and organizational structure and its components, including complexity, formality, and concentration.

Organizations need organizational trust. Organizational trust is about individuals' positive expectations from supervisors, colleagues, and the organization to be honest about promises, decisions, and behavior, and not act pragmatically. Research Guinot & Chiva (2018) found a mediating role for trust in organizations to improve job and organizational performance. Meanwhile, Singh & Desa (2018) examined the effect of organizational trust on job performance, and the results showed that organizational trust was positively correlated with job performance.

Thus, from some of the studies that have been described, it can be concluded that there is an influence of transformational leadership, transactional leadership, organizational culture, managerial competence, organizational structure, and organizational trust on organizational performance. Therefore, there are research gaps about organizational performance that can be researched at BAPAREKRAF.

Yue et al. (2019) show that transformational leadership and transparent communication are positively related to employee organizational trust, which positively

affects employees' openness to change. Yasir et al. (2016) revealed a positive and significant relationship between transformational leadership and employee trust. Uslu & Oklay (2015) demonstrated that leadership has a positive effect on organizational trust.

Yasir et al. (2016) found no significant relationship between transactional leadership and employee trust in the organization. Meanwhile, Mehmood's (2016) research in the banking sector in Pakistan shows that Transactional leadership except management by exception (passive) dimension has a significant impact on employee trust in the organization.

Fard, Babelan, & Sattari (2013) revealed that organizational culture conditions positively affect organizational trust. The findings of this study are consistent with Ahmad et al. (2011), Jafaei (2011), and Matin (2009). There is a relationship between organizational culture and its components and organizational trust. Jaben & Isakovic (2018) show that organizations with a culture type that are more focused on creation and collaboration tend to have a higher level of trust in top management.

Research conducted by Gabriel & Kpakol (2014) shows that perceived managerial competence is significantly correlated with employee cognitive and affective beliefs. Ghimire (2019) illustrates that many factors, including competence, integrity, and virtue, influence nurse behavior through organizational trust in management.

According to Setiawan et al. (2019), the organizational structure provides flexibility for the organization members to work according to their expertise. On the other hand, the delegation of authority and duties to members of the organization at certain organizational structure positions shows its members' trust. Kolaric & Radojeic's (2011) show that trust and cooperation among employees are not very high. Meanwhile, Latifi & Shooshtarian (2014) shows a significant relationship between organizational structure and trust dimensions. The organization can meet objectives, adapt to dynamic environments, and survive in the future.

Based on the empirical studies, it can be concluded that the influence of transformational leadership, transactional leadership, organizational culture, managerial competence, and organizational structure on organizational trust. Therefore, there are research gaps related to organizational trust that could be researched at BAPAREKRAF.

Previous empirical research has suggested that leaders' organizational trust mediates the relationship between transformational and transactional leadership and organizational performance. Public leaders need to continue to develop their leadership skills, especially their transformational leadership, as well as build trust to improve performance in their organizations (Asencio, 2016, Ugwu, Enwereuzor, & Orji, 2015). Employees' trust in leaders mediates the relationship between transformational and transactional leadership and organizational performance. (Asencio, 2016; Ugwu, Enwereuzor & Orji, 2015). When leaders consistently value, punish, and monitor performance, high or low performers will develop trust in their leaders. Empirical evidence suggests that leaders who engage in transactional leadership behaviors tend to be more trusted among followers (Bradberry & Tatum, 2002; Greenberg & Baron, 2003; Pillai, Schriesheim & Williams, 1999; Podsakoff et al., 1990). In turn, employees who trust their leader will perform at a higher level because they have confidence that their leader will continue to honor their contract over time (Avolio, Bass, & Jung, 1999).

Kamaamia (2017) states that organizational culture is considered unique for each organization and can improve performance. Research Fard, Babelan & Sattari (2013) revealed that the conditions of organizational culture and organizational trust are favorable for the company organization, and there is a relationship between organizational culture and the components of organizational trust. Based on this, it is expected that organizational culture has an indirect effect on organizational performance

through organizational trust.

Managerial competence is defined as a specific type of individual competence, namely, activities, knowledge, skills, attitudes, and personal characteristics needed to improve management performance (Martina et al., 2012). Nowadays, when measuring organizational performance, the better results are more and more referred to not as the organization's material resources, but for its human resources and competencies; competency development has become one of the organization's top priorities (Veliu & Manxhari, 2017).

The results of previous studies have provided empirical evidence to support the effect of structure on organizational performance. The results show that structure determines performance and that without a suitable structure, an organization is bound to fail (Nwonu, Agbaeze & Obi-Anike, 2017).

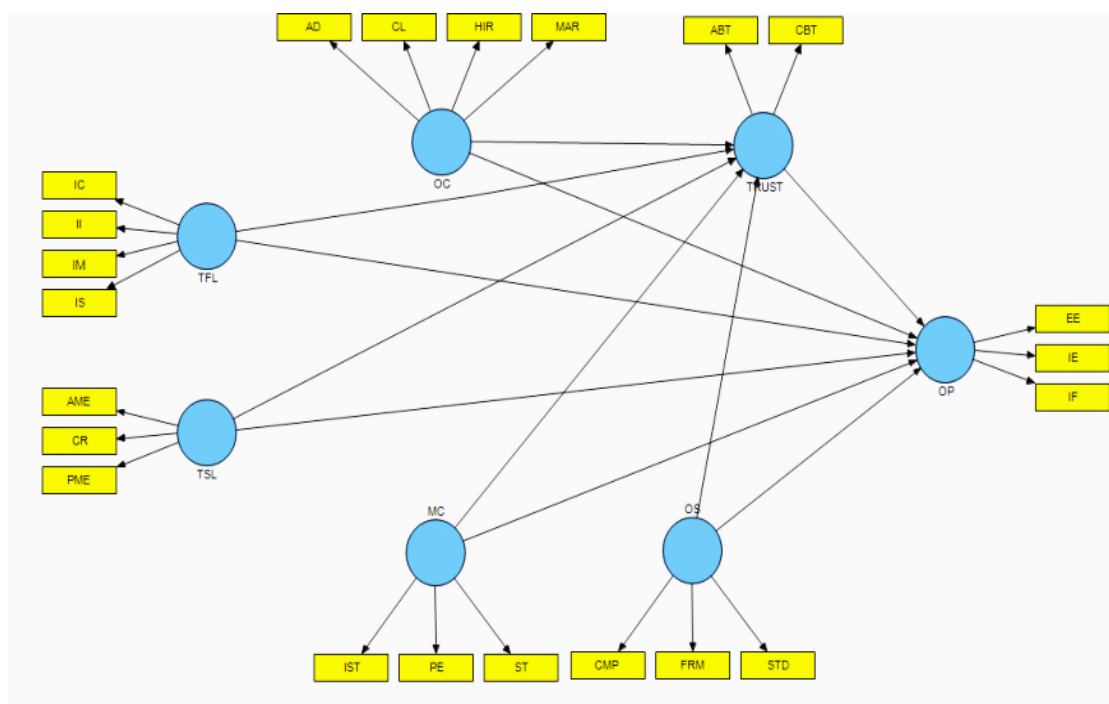
The delegation of authority and duties to members of the organization in certain organizational structure positions shows its members' trust (Setiawan et al., 2019). The significant relationship between organizational structure and trust dimensions will help organizations meet goals, adapt to dynamic environments, and survive in the future.

According to the results of previous research that have been described, it can be formulated the influence of transformational leadership, transactional leadership, organizational culture, managerial competence, and organizational structure on organizational performance. Therefore, a research gap regarding organizational trust as a mediator of organizational performance can be researched at BAPAREKRAF.

**METHODS**

The main data used in this study are primary data. This study's respondent is whole Civil servants and Civil Servant Candidates in BAPAREKRAF, in 194 respondents. A questionnaire with a Likert scale instrument five is used to collect the data.

This research uses inferential statistical analysis in the form of a causality analysis of SEM (Structural Equation Modeling) based on component or variance (known as Partial Least Square (PLS)). Figure 1 shows a preliminary research model



**Figure 1.** Initial research model

**Table 1.** Operational research variables

Variable	Definition	Indicator	Measurement Scale
Transformational Leadership (TFL)	A leadership style that creates an environment, so employees are motivated and energized in a climate that supports providing more effective customer service, strengthening organizational performance and leading to financial benefits for shareholders ((De Jong & Bruch, (2013), Giroux & McLarney, ( 2014).	<ol style="list-style-type: none"> <li>1. Idealized Influence</li> <li>2. Inspirational Motivation</li> <li>3. Intellectual Stimulation</li> <li>4. Individualized Consideration</li> </ol>	Ordinal
Transactional Leadership (TSL)	A leadership style so the leader encourages the obedience of his subordinates through reward and punishment. (Khalil, Iqbal & Khan, 2016)	<ol style="list-style-type: none"> <li>1. contingent reward,</li> <li>2. active management by exception</li> <li>3. passive management by exception</li> </ol>	Ordinal
Organizational Culture (OC)	Culture is “the typical way of behavior and beliefs that a group of people has that develops over time and shares together” (Tarique et al., 2016, p. 124). Organizational culture is a concrete manifestation of the shared values and beliefs that influence it employee behavior (De Chernatony and Cottam, 2008; Hoque et al., 2013)	<ol style="list-style-type: none"> <li>1. Clan</li> <li>2. Adhocracy</li> <li>3. Market</li> <li>4. Hierarchical</li> </ol>	Ordinal
Managerial Competence (MC)	Managerial competence is the skills, knowledge and attributes needed to perform managerial tasks effectively and efficiently with readiness and agility for all professions (Farah and Mwit, 2017)	<ol style="list-style-type: none"> <li>1. Strategic</li> <li>2. Intra-strategic</li> <li>3. Personal effectiveness</li> </ol>	Ordinal
Organizational Structure (OS)	Is a system that determines how tasks are formally, structured and coordinated in a group that is deliberately organized to achieve common goals (Robbins et al., 2014; McNamera, 2018)	<ol style="list-style-type: none"> <li>1. Complexity</li> <li>2. Formality</li> <li>3. Standardization</li> </ol>	Ordinal
Organizational Performance (OP)	The organizational performance consists of the actual output or organizational results that are measured against the intended output (Richard et al. 2009). Performance must be achieved through items such as evaluation, testing, efficiency, effectiveness and quality (Bartoli & Blatrix, 2015)	<ol style="list-style-type: none"> <li>1. Internal Effectiveness</li> <li>2. External Effectiveness</li> <li>3. Internal Fairness</li> </ol>	Ordinal
Organizational Trust (OT)	Organizational trust is about the positive expectations of individuals from supervisors, colleagues and the organization himself to be honest about promises, decisions and behavior and not to take pragmatic actions (Fatma Ince, 2018)	<ol style="list-style-type: none"> <li>1. Cognition-based trust</li> <li>2. Affect-based trust</li> </ol>	Ordinal

Source: abstracted by Researchers

## RESULTS AND DISCUSSION

In general, BAPAREKRAF's organizational performance is relatively good. It is indicated by the average value of the OP variable of 4.23 (Likert scale 1 - 5) (see Table 2). Other variables in this study are also categorized as good, except for the OC (organization culture) variable, which is categorized as neutral.

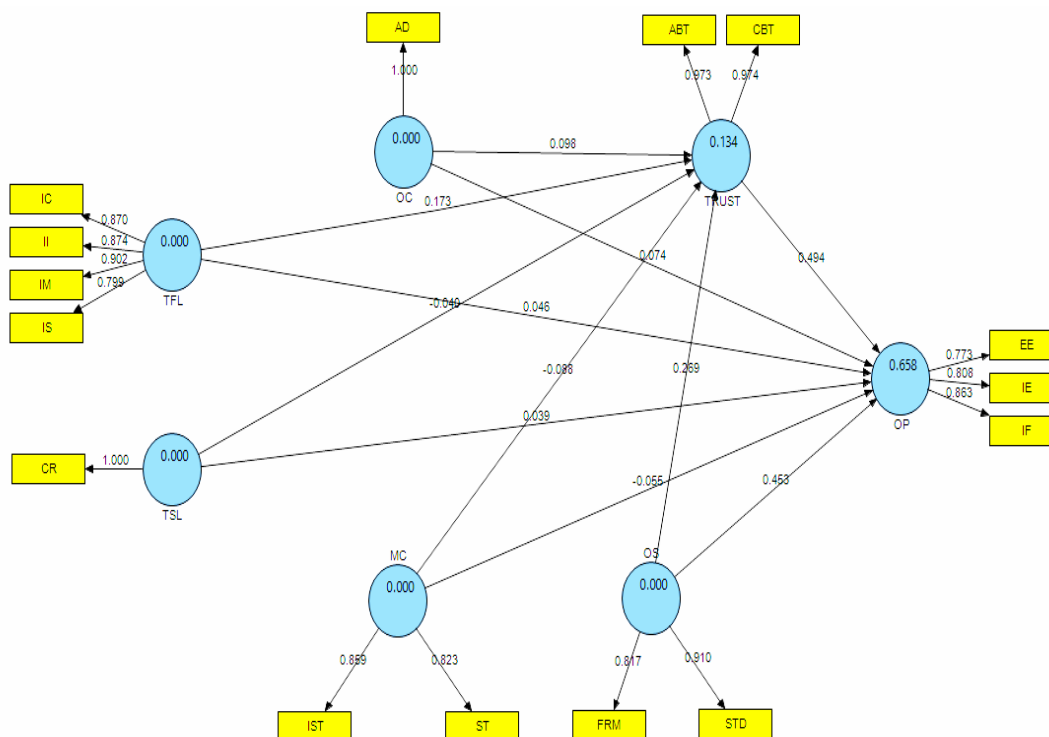
**Table 2.** Description of research variables

Variable	Average value
Transformational Leadership (TFL)	4.54381
Transactional Leadership (TSL)	4.14089
Organization Culture (OC)	3.91366
Managerial Competency (MC)	4.09278
Organizational Structure (OS)	4.22680
Trust (Trust)	4.04124
Organizational Performance (OP)	4.13660

Before conducting further analysis, first, an evaluation of the initial model is related to the indicators' validity and reliability in the latent variables (constructs). The validity test used the convergent test and discriminant validity of the indicators. The reliability test uses two criteria, namely composite reliability and Cronbachs alpha.

The construct reliability test was measured by two criteria, namely composite reliability and Cronbachs alpha. Both Alpha Cronbach and Composite Reliability must be above 0.7. For Alpha Cronbach, up to 0.6 is still allowed.

Based on the initial model test (validity and reliability), there are two indicators of TSL (AME and PME), three OC indicators (CL, HIR, and MAR), one MC indicator (PE), and one OS indicator (CMP) which are invalid and unreliable. The seven indicators were excluded from the model. In other words, all indicators in the model are valid and reliable. The modified model is given in Figure 2.



**Figure 2.** Results (modified) of the second model

*Convergent validity* from testing the indicator (measurement model) can be seen from the loading factor's value. However, it can also be seen from the results of the calculation of the second model in the form of Average Variance Extracted and Composite Reliability. The following table is Average Variance Extracted and Composite Reliability:

**Table 3.** AVE and composite reliability

Variable	Average Variance Extracted (AVE)	Composite Reliability	Information
MC	0.707643	0.828731	Valid
OC	1,000000	1,000000	Valid
OP	0.664843	0.855882	Valid
OS	0.747583	0.855208	Valid
TFL	0.742882	0.920220	Valid
TRUST	0.947961	0.973285	Valid
TSL	1,000000	1,000000	Valid

Based on the loading factor value, average variance extracted, and composite reliability, each variable's indicators are reliable and valid, reflecting their respective variables. The testing of the structural model's goodness of fit against the inner model using predictive-relevance (Q2) values (Solimun, 2011). Table 4 shows model R Square.

**Table 4.** Model R Square

Variable	R Square
MC	0.658287
OC	
OP	
OS	
TFL	
TRUST	0.134312
TSL	

The result of predictive-relevance value calculation is 0.443564 or 44.35%, which shows that the diversity of data explained by the model is 44.35%. These results indicate that the value of Q Square > 0 gives the meaning that this research model has predictive-relevance and can be used for hypothesis testing.

**Table 5.** Total effects (Mean, STDEV, T-values)

	Original sample estimate (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics ( O/STERR )
<b>MC -&gt; OP</b>	-0.098682	-0.101475	0.032930	0.032930	2.996666
<b>MC -&gt; TRUST</b>	-0.088227	-0.091025	0.047723	0.047723	1.848739
<b>OC -&gt; OP</b>	0.122499	0.120460	0.031320	0.031320	3.911169
<b>OC -&gt; TRUST</b>	0.097734	0.096208	0.035907	0.035907	2.721837
<b>OS -&gt; OP</b>	0.585852	0.584588	0.032560	0.032560	17.993154
<b>OS -&gt; TRUST</b>	0.268648	0.270063	0.044016	0.044016	6.103428
<b>TFL -&gt; OP</b>	0.131864	0.139148	0.050064	0.050064	2.633934
<b>TFL -&gt; TRUST</b>	0.172972	0.180558	0.069030	0.069030	2.505749
<b>TRUST -&gt; OP</b>	0.494162	0.494320	0.029838	0.029838	16.561705
<b>TSL -&gt; OP</b>	0.019050	0.018723	0.053132	0.053132	0.358531
<b>TSL -&gt; TRUST</b>	-0.040377	-0.040246	0.070653	0.070653	0.571480

Transformational leadership reflected by idealized influence, inspirational motivation, intellectual stimulation, and individual consideration positively and significantly impact organizational performance reflected by internal effectiveness, external effectiveness, and internal justice. The results of this study support research conducted by Al Khajeh (2018), Asencio (2016), and Toufaily (2017).

Transactional leadership reflected by contingency rewards has no effect on organizational performance reflected by internal effectiveness, external effectiveness, and internal justice. This result is in line with the arguments of Antonakis, Avolio, and Sivasubramaniam (in Bass & Riggio, 2006). However, it is different from previous research by Ahmad & Ejaz (2019) and Haq & Chandio (2017).

Organizational culture reflected by the Adhocracy culture has a positive and significant influence on organizational performance reflected by internal effectiveness, external effectiveness, and internal justice. This study's results support research done previously by Kim & Chang (2018), Sengottuvel & Aktharsha (2016), Meng & Berger. (2019), Joseph & Kibera (2019)

Managerial competence, reflected by strategic and intra-strategic, has a negative and significant impact on organizational performance reflected by internal effectiveness, external effectiveness, and internal justice. These results contradict previous studies by Velu & Manxhari (2017), Suárez, Martelo & Franco (2018), and Ncube & Chimucheka (2019).

The organizational structure reflected by formality and standardization has a positive and significant impact on organizational performance reflected by internal effectiveness, external effectiveness, and internal justice. The results of this study support Estalaki (2017) and contrary to the results by Nene & Pillay (2019)

Organizational trust reflected by cognitive-based trust and influence-based trust positively influences organizational performance reflected by internal effectiveness, external effectiveness, and internal justice. The results of this study support research that has been done previously by Fatma Ince (2018), Guinot & Chiva (2018), Singh & Desa (2018), and Botwe, Kenneth & Masih (2016).

Transformational leadership reflected by idealized influence, inspirational motivation, intellectual stimulation, and individual consideration positively and significantly impact employee trust reflected by cognitive-based trust and influence-based belief. The results of this study support research that has been done previously by Yue et al. (2019), Yasir et al. (2016), and Uslu & Oklay (2015).

Transactional leadership reflected by contingent rewards has no effect on employee trust reflected by cognitive-based trust and influence-based trust. This study's results contradict research that has been done previously by Yasir et al. (2016) and Mehmood (2016).

Organizational culture reflected by the Adhocracy culture has a positive and significant influence on employee trust reflected by cognitive-based trust and influence-based belief. This study's results support research done previously by Fard, Babelan & Sattari (2013) and Jabeen & Isakovic (2018).

Managerial competence reflected by strategic and intra-strategic does not affect employee trust reflected by cognitive-based trust and influence-based trust. This study's results contradict research done previously by Gabriel & Kpakol (2014) and Ghimire (2019).

The organizational structure reflected by formality and standardization positively influences organizational trust reflected by cognitive-based trust and influence-based



trust.

This study's results support research that has been done previously by Latifi & Shooshtarian (2014) and Kolaric & Radojeic (2011) stated that organizational structure is positively and significantly related to employee organizational trust.

**Table 6.** Recapitulation of organizational trust mediation tests

Variable	t-count	t-table	p-value	Information
Transformational leadership (TFL)	5,440	1.97	0.00	Accepted
Transactional leadership (TSL)	2,841	1.97	0.00	Accepted
Organizational culture (OC)	2,087	1.97	0.03	Accepted
Managerial competence (MC)	-2,238	1.97	0.02	Rejected
Organizational structure (OS)	7,436	1.97	0.00	Accepted

It can be concluded that transformational leadership, transactional leadership, organizational culture, organizational structure have a positive and significant influence on organizational performance mediated by organizational trust. On the other hand, managerial competence does not affect organizational performance mediated by an employee trust.

Organizational trust can mediate the effect of transformational leadership on organizational performance. Leadership at BAPAREKRAF that provides ideal influence, inspirational motivation, intellectual stimulation, and individual considerations creates trust in employees to increase competence, ability, integrity, and a sense of dependence on the organization to increase organizational performance.

This study's results further strengthen and support previous empirical research that has suggested that employees' trust in leaders mediates the relationship between transformational and transactional leadership and organizational performance. (Asencio, 2016; Ugwu, Enwereuzor, & Orji, 2015).

Organizational trust can mediate the effect of transactional leadership on organizational performance. The leadership's reward policy in the form of material can provide trust in competence, ability, and integrity to create a dependency from employees to make organizational performance better.

This study's results further strengthen and support previous empirical research that has suggested that employees' trust in leaders mediates the relationship between transformational and transactional leadership and organizational performance. (Asencio, 2016; Ugwu, Enwereuzor, & Orji, 2015).

Organizational trust can mediate organizational culture on organizational performance. The existence of an innovative and creative culture at BAPAREKRAF can increase employees' competence, ability, and integrity at work, make employees feel dependent and comfortable with their organization, and ultimately improve organizational performance.

This study's results further strengthen and support the previous empirical research that states that organizational culture is considered unique for each organization and can improve performance. (Kamaamia, 2017). It also strengthens the result researched by Fard, Babelan & Sattari (2013), which revealed that organizational culture and organizational trust are favorable for the company organization. There is a relationship between organizational culture and the components of organizational trust.

Organizational trust can mediate an organizational structure on organizational performance. It shows that a formal and standardized organizational structure provides confidence for employees to improve competence, ability, integrity, and a sense of belonging to the organization, thus leading to increased external and internal performance

of the organization.

These results further strengthen and support previous empirical research that stated that employees' trust in leaders mediates the relationship between organizational structure (OS) and organizational performance. The significant relationship between organizational structure and dimensions of trust will help organizations meet goals, adapt to dynamic environments, and survive in the future (Nwonu, Agbaeze & Obi-Anike, 2017; Setiawan et al., 2019)

Otherwise, organizational trust is not able to mediate managerial competence in organizational performance. Strategic and intra-strategic implementation obstructed employee freedom in increasing competence, ability, integrity, and a sense of dependence on the organization. As a result, it does not improve organizational performance. This study's results do not support previous empirical research states that employees' trust in leaders mediates the relationship between managerial competence and organizational performance (Veliu and Manxhari, 2017).

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusion**

Transformational leadership, organizational culture, managerial competence, organizational structure, organizational trust affect organizational performance, but transactional leadership does not affect organizational performance. It shows that leaders at the managerial level in providing contingent rewards to employees in material form do not affect BAPAREKRAF.

Besides that, transformational leadership, organizational culture, organizational structure affect organizational trust, but transactional leadership and managerial competence do not affect organizational trust. It shows that the reward in the form of material cannot increase the competence, ability, and integrity of employees at work and dependence on BAPAREKRAF.

Furthermore, transformational leadership, transactional leadership, organizational culture, and organizational structure can be mediated by organizational performance beliefs. However, organizational beliefs cannot mediate managerial abilities in the form of Strategic and Intra-Strategic in cognitive-based and affective based on BAPAREKRAF's performance in realizing Internal Effectiveness, Effectiveness External, and Internal Justice.

### **Recommendation**

The managers at BAPAREKRAF should not give rewards in the form of materials to improve the performance of BAPAREKRAF. Besides, managers should also appreciate motivation, praise, and opportunities and increase their strategic and intra-strategic abilities to increase organizational trust.

Recommendations for further research are to be able to examine the managerial competency qualifications required by BAPAREKRAF.

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