

# INFLUENCE OF ORGANIZATIONAL ENVIRONMENT ON EMPLOYEE PERFORMANCE STUDY IN THE GOVERNMENT OF THE DISTRICT CITY

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**Abstract:** Knowledge of the influence of the organizational environment, in the form of internal control and leadership style on employee performance is the aim of this study. A district has a regional government agency called the regional secretariat, which works to organize the government. This regional government agency apparently showed that the performance of its employees was not yet effective. Effective employee performance in addition to being caused by internal factors, known as the individual characteristics of each employee can also be caused by external factors, namely the organizational environment. Organizational environmental factors that are suspected of causing ineffective employee performance include internal control and leadership style. The study population was employees who worked at the Kuningan Regency regional secretariat. The sample in this study was 116 employees with purposive sampling. Data processing uses multiple regressions whose results indicate that employee performance can be influenced by the organizational environment in the form of internal control and leadership style

**Keywords:** Firm Environment, internal control, leadership style, employee performance.

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## 1. INTRODUCTION

Government organizations are formed to: protect the interests of the community, serve the needs of the community, and the ultimate goal is to realize prosperity and justice for the community. The Regional Secretariat is the manager of the district government which will be able to achieve its goals if it has a reliable workforce. This workforce is referred to as the State Civil Apparatus (ASN), which consists of civil servants and government employees with a work agreement, which is appointed by the civil service development officer.

Human resources that are not handled in the right way will have an impact on the tasks assigned to them and ultimately have an impact on performance. Performance is the behavior of employee contributions both positively and negatively to achieve organizational goals (Gibson, Ivancevich, and Donnelly, 2011). While employee performance is the result of work achieved by someone in carrying out the tasks assigned to him based on skill, experience and sincerity at a time. This performance shows how well the work achieved by employees in accordance with the responsibilities given (Hasibuan, 2006). Employee performance is an important part of an organization and the organization must analyze the factors that can improve employee performance. Gibson (2011) says that, organizational success is largely determined by the success of members of the organization. Gibson also stated that there were demands for the organization to pay more attention to critical aspects which were the determining factors for the success of employee performance.

Time (1992) explains that performance factors consist of internal factors and external factors. Internal factors are factors that relate to one's traits including attitudes, personality traits, motivation, education, performance experience and other personal variables. While external factors, referred as factors that affect the performance of employees who come from the environment include organizational policies, leadership, co-workers' actions, supervision, wage systems, and the environment. This research emphasizes the external influences in the form of an organizational environment consisting of

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internal controls which include organizational policies, actions of colleagues, supervision and accounting systems and leadership which is proxied as a leadership style.

Government Regulation Number 60 Year 2008 concerning the Government Internal Control System states that internal control is a process that unites actions and activities carried out by the leadership and all employees in an ongoing manner in order to obtain an appropriate guarantee for the achievement of organizational goals through effective and efficient activities, the achievement of reliable financial reporting, safe assets of the State, and compliance with laws and regulations. This definition is in line with that put forward by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013) states that internal control is a process that is influenced by the board of commissioners of an organization and other personnel. This system is designed to provide reasonable guarantees relating to achieving goals, operating efficiency, reporting and compliance. Romney and Steinbart (2009) emphasize that internal control is an organizational plan rather than a process, which has the aim of safeguarding assets, providing accurate and reliable information, encouraging and improving the efficiency of the organization's operations, and encouraging the alignment of employee activities with established policies. This shows that if internal control is implemented correctly, employees will be compliant and work according to organizational policies which will ultimately impact on performance.

Research conducted by Grace and Adebayo (2009), Puji (2013), and Tadzkirohul (2017) found that government internal control systems affect employee performance. M. Iqbal (2015), Fierda (2016), Bayu (2016) who also conducted research at government agencies showed findings that application of government internal control systems dimensions can improve employee performance. Research conducted by Rudi (2015) shows different results, that internal control does not affect the managerial performance of local governments.

Another environmental factor that needs attention is leadership style. Leadership style is a combination of task behavior and relationship behavior. Task behavior indicates the degree of effort the leader manages and establishes the role of group members and explains the activities of each member and when, where and how to carry out that role. Whereas relationship behavior is the degree to which leaders build personal relationships between themselves and with members of their groups, by opening wide channels of communication, this management style is consistent behavior by Hersey and Blanchard (2000). Furthermore Veithzal and Ella (2014) stated that leadership style is a pattern of behavior and strategy that is liked and often applied by a manager to influence subordinates to achieve organizational goals. This shows that the success of an organization is partly supported by the role of a manager who is competent, professional and able to motivate subordinates to carry out their duties in accordance with the provisions set by the organization.

Research conducted by Lita (2016) found that management style influences employee performance. Agung (2013) and Firstie and Madina (2017) also have research results that show that the application of appropriate leadership styles within agencies can improve employee performance. Research by Indah (2013) shows different results, that management style does not affect employee performance because the performance of employee work is based on quality not on work performance. Organizational environmental factors in the above presentation both internal control and leadership style shows their ability to influence employee performance. This is supported by research conducted by Sarita (2012) and Nydia (2017), who found that internal control and leadership style jointly influences employee performance.

## LITERATURE REVIEW

Research related to employee performance has been done a lot, this research was conducted using organization behavior theory as a basis to explain that a person's performance is influenced by internal factors, which are known as individual characteristics and external factors, which are referred to as the organizational environment in which individuals work. This study only focuses on two external factors; there are internal control and leadership style.

The concept of internal control was originally known as internal checking, which understanding is still very broad. Bennett (1930) in Sawyer, (2005) narrowed the definition of internal checking into coordination of related office procedures so that an employee besides doing his own work also continually checks the work of other employees for certain things that are prone to fraud. A new view on the concept of internal control that is broader and integrated and in accordance with the development of the business world is used to prevent irregularities. This was developed by The Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The definition of internal control according to this COSO, was then adopted and adjusted to the state of government in Indonesia so that on August 28, 2008 was issued by the Indonesian government, namely Government Regulation No. 60 of 2008 concerning Government Internal Control Systems (SPIP). Internal control has five dimensions, which include: control environment, risk assessment, control activities, information and communication and monitoring.

### Leadership Style

The concept of leadership developed in the mid-19th century (Bass, 1985). Behavior theory says that effective leader behavior is behavior that can be developed and is not always present from birth. Turner (1999) states this theory considers leaders to implement different behaviors according to the situation. Successful leaders are able to adapt their behavior to meet the demands of the situation (Hersey & Blanchard 1986). Stoner, Freeman and Gilbert (1995) provide a definition of management style that is the various behavioral patterns favored by leaders in the process of directing and influencing workers. Hersey and Blanchard, 1982 said that leadership style is a pattern of behavior carried out by someone at a certain time and seeks to influence the activities of others. Schleh (1977) said that leadership style is the glue that binds different operations and functions into one.

Bass and Avolio (1994) group leadership styles into two types, which are called transformational leadership styles and transactional leadership styles. Transformational leadership style is described as leaders and employees influence each other, leaders try to change employee behavior into someone who feels capable and highly motivated so they can achieve good work performance. Leaders change employees, so that organizational goals can be achieved together. Transactional leadership emphasizes transactions or exchanges that occur between leaders, colleagues and subordinates. This exchange is based on leaders' discussions with related parties to determine what is needed and how the conditions and wages / rewards specifications if subordinates meet the specified conditions

### Employee Performance

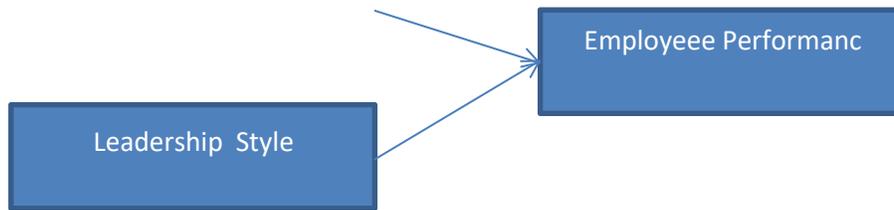
Organizations of any type are of course driven by individuals who are members of the organization to achieve organizational goals. The role of individuals or employees is very important, therefore measuring employee performance is very necessary. Employee performance is the result achieved by someone in carrying out the tasks given to him based on skill, experience and seriousness and time (Hasibuan, 2008). Employee performance can also be said as the magnitude of the contribution of what employees do to the organization including output quality, output quantity, output period, attendance at work, and cooperative attitude (Mathis and Jackson 2006).

Internal control can provide adequate confidence in achieving goals. This is in accordance with the statement of COSO (2013) which explicitly explains the effect of internal control on the performance of agencies / organizations that internal control can help organizations achieve performance and ensure the organization is in accordance with the objectives set. There have been many studies on the relationship between internal control and employee performance such as Noorvelembi (2006), Njeri (2014), , Oponng, Owiredu, Abedana, dan Asante, 2016, and Olufunmilayo (2018) who found that internal control affects performance. In Indonesia, similar studies have also been carried out following are studies that link internal control with the performance of employees in the government sector such as Reny (2013), Latifa (2017) said that the system of government internal control affects the performance of employees in government agencies. M. Iqbal (2015), Fierda (2016), and Bayu (2016) also found that application of the government's internal control system dimensions within agencies can improve employee performance.

Leadership effectiveness is a long process, the effectiveness of leadership depends on the interaction between the leader and subordinates and the ongoing situation. Leadership effectiveness can be achieved if a leader is able to establish good communication with subordinates, it can be understood that together with the subordinates of a leader working to achieve organizational goals. Meanwhile, to do this smoothly requires the creativity of the leader, all of which are centered on the leadership style adopted and applied by the leader concerned (Bass and Avolio, 1994). This is in line with what was expressed by Prasetyo and Kato (2011) that the main purpose of applying management style is to improve employee performance so that organizational goals can be achieved. Research that links leadership styles with employee performance has been done both internationally and nationally, for example research conducted by Okon and Isong (2016), Jamal and Soomro, (2011), Ogbonna and Harris (2000),), (2016) Agung (2013) and Firstie and Madina (2017), they found that leadership style influences employee performance.

Previous presentation showed that external factors, namely factors originating from outside of an employee or also called organizational environmental factors are able to influence employee performance. This has also been proven by research conducted by, Lastri (2016), and Nydia (2017), who found that internal control and leadership style together influence employee performance. This means that changes in employee performance are influenced by internal control and leadership styles. Based on this description, a hypothesis can be built: the better the internal control and the more appropriate the leadership style, the better the employee's performance. The following is a picture of a research model





**RESEARCH METHOD**

The object of research is the attachment of the characteristics studied (Sekaran, 2013). The object chosen in this study is an employee at the Kuningan Regency Regional Secretariat, which is also the unit of analysis of this study. Characteristics studied regarding internal control, leadership style and employee performance. This study is an explanatory study with a purposive sampling method to determine samples. The criteria used in the selection of samples are employees with education above high school with level III class. The number of population elements that meet the sample criteria is 120 people, while the population is 193 people.

Internal control variables are measured using a questionnaire developed from PP No. 60 of 2008, the adoption results from COSO, consisted of 30 statement items. Variable leadership style was measured using a questionnaire developed by Bass and Avolio (1990) consisting of 18 statement items. Employee performance variables were measured using a questionnaire developed by Mathis and Jackson (2006), which consisted of 10 statement items. All three instruments use five Likert scale. The data collected was processed using SPSS and multiple regression analysis statistical techniques.

**RESULT**

The data that can be processed are 116, the validity and reliability tests show that the three instruments used in this study are valid and reliable. The description of each variable can be seen below.

Table 1 Discription of Variables

No	Indicator	Total Weight	Actual Score	Index	Average	Criteria
1	Control environment	1160	4753		4.10	Good
2	Risk assessment	464	1798		3.88	Good
3	Control activity	1276	5025		3.94	Good
4	Information and communication	232	959		4.13	Good
5	Monitoring	348	1411		4.05	Good
	Average of response	3480	13946		4.01	Good
Leadership Style						
1	Transformational	1160	4664		4.02	Good
2	Transactional	928	3495		3.77	Good
	Average of response	2088	8159		3.91	Good
Employee Performance						
1	Quantity of work result	232	954		4.11	Good
2	Quality of work result	232	971		4.19	Very good
3	Timeliness	232	935		4.03	Good
4	Attendance at work	232	960		4.14	Good
5	Cooperative attitude	232	960		4.14	Good
	Average of response	1160	4780		4.12	Good

Outline of variables can be explained that, the conditions of internal control in the Kuningan City Government secretariat showed good criteria, leadership style tends towards transformational and employee performance is in good criteria.

The classic assumption test with a normal probability plot graph shows that the points (ie residual data) are scattered around a diagonal line. These results indicate that the regression model formed has a normally distributed residue. After eliminating the four wild outgoing data the Kolmogorov-Smirnov results were 0.221 so that the data were normally distributed because the significance value was greater than 0.05. Other classic assumption test results indicate that there is no multicollinearity and heteroscedasticity.

The results of data processing to test the hypothesis can be seen in the following tables.

Table 2 Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R square	Standard error of the estimate
1	.517 <sup>a</sup>	.267	.254	4.00747

a Predictor (constant) leadership style, internal control

b Dependent variable employee performance

Table 3 ANOVA<sup>b</sup>

Model		Sum of square	Df	Mean Square	F	Sig
1	Regression	662.273	2	331.136	20.619	.000 <sup>3</sup>
	Residual	1814.762	113	16.060		
	Total	2477.034	115			

a Predictor (constant) leadership style, internal control

b Dependent variable employee performance

Table 4 Coefficient

Model		Unstandardized Coefficients		Standardized Coefficient	t	sig
		B	Std. Error	Beta		
1	(Constant)	12.910	4.538		2.817	0.06
	Internal control	.144	.047	.308	3.035	.003
	Leadership style	.157	.059	.268	2.635	.010

a. Dependent variable: employee performance

Table 2 could be seen that employee performance is influenced by transformational leadership by 25.4%, the rest is caused by other factors does not examined in this study. Table 3 shows that the model built in this study is acceptable; it means that internal control and leadership style can explain changes in employee performance, it is shown from the magnitude of the probability value that is 0.00 smaller than the alpha value of 0.05. Table 4 shows that the influence of internal control to employee performance was greater than the influence of leadership style on employee performance. Internal control can cause changes in employee performance by 30.8% while the leadership style by 26.8%

#### DISCUSSION AND RECOMMENDATION

The results found that organizational environmental factors in the form of internal control and leadership style can explain changes in employee performance. Internal control in this study shows good conditions, efforts should be made so that internal control becomes very good. In this research, the main concern is the risk management and control activities dimension which gets a lower score, for example by conducting training on risk management so that it can map risks and be able to design good control activities.

Leadership style in this study also shows good criteria, it could be seen that employee performance is affected by transformational leadership more than by transactional; efforts should be made so that the leadership style is driven towards transformational, by providing training to management on how to become an effective leader. This research supports research conducted by Sarita (2012), and Nydia (2017),

Internal control is a very important organizational environmental factor because the internal control system is a collection of activities carried out both leaders and employees in order to ensure the achievement of organizational goals

effectively and efficiently, which is reflected in reliable financial reports, maintained state assets and adhered to the law laws and regulations. Therefore the organization must continuously evaluate the implementation of internal control which, among others, will ultimately improve employee performance Likewise, management style needs to be evaluated so that what management does can change employees into someone who has high ability and high motivation so they can achieve high work performance. Seeing the importance of organizational environmental factors on employee performance, it is recommended for subsequent researchers to examine other environmental factors such as the wage system, work climate and others, or add internal factors such as personality, values and others.

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