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### THE INFLUENCE OF LEADERSHIP STYLE, WORKING ENVIRONMENT AND ORGANIZATIONAL CLIMATE TO EMPLOYEE'S PERFORMANCE AMONG MILLENNIAL-GEN AT SUBSIDIARY OF STATE COMPANY IN INDONESIA

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**Vina S. Marinda, Deni Irwansyah, Dede Kasmadi, Mohd Haizam Saudi. The Influence Of Leadership Style, Working Environment And Organizational Climate To Employee's Performance Among Millennial-Gen At Subsidiary Of State Company In Indonesia-- Palarch's Journal Of Archaeology Of Egypt/Egyptology 17(4), 3001-3009. ISSN 1567-214x**

**Keywords: leadership style; working environment; organizational climate; employee's performance; millennial generation**

#### **ABSTRACT**

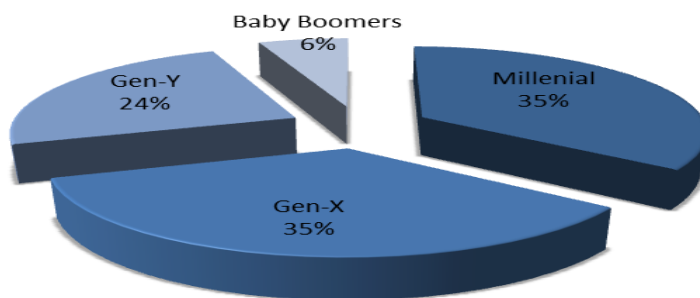
This research's purpose is to analyze the influence of leadership style, working environment, and organizational climate to employee's performance among millennial generation. The explanatory research method was conduct among all employees in the company with the aim of knowing the causal relationship between leadership style, working environment, and organizational climate to employee's performance and testing the research hypothesis. Multiple regression is used to determine whether leadership style, working environment, and organizational climate have a positive effect on employee's performance. The results of this research showed that leadership style and organizational climate have a positive effect on employee's performance, while organizational climate has a negative effect on employee's performance among millennial generation.

**Keywords:** leadership style; working environment; organizational climate; employee's performance; millennial generation

#### **INTRODUCTION**

Today's companies is constantly being challenged by business dynamics. Reliable resources is needed so companies can mantain their competitive advantage and be able to adapt to these changes. A variety of resources need to be worked on so that company's goals can be achieved. Not only finance, assets, technology, and material but also human resources are resources that need to be the main concern.

The company's activities are driven by human resources from various generations. Previously the baby boomers and X generation were dominating, but not anymore. The baby boomers generation (1946-1964) has entered retirement age, and now generation X and the millennial generation dominate the company's human resources.



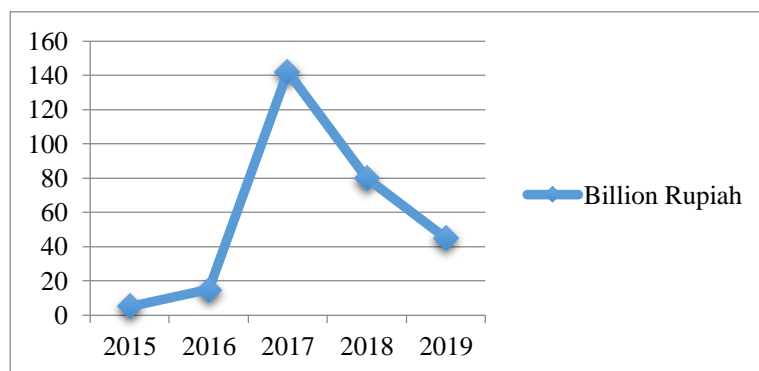
Source: [www.manpowergroup.com](http://www.manpowergroup.com)

Gambar 1. Global Workforce in 2020

World's issues today are focused on the generation of employees in companies, the perspective comes of both employer and employees. Based on data collected by MenpowerGroup (2020), they found jobs of 3.4 million people, some of whom were millennial generation.

Millennial generation is the biggest segment in the workforce today. Characteristics, both the behavior and mindset of the millennial generation are clearly different from the previous generation, this raises many assumptions about millennial generation. Some views about millennial generation are positive such as high competitiveness, strong passion, etc. While some have negative views such as lazy stereotypes, unfaithfulness, etc. This makes the company needs to think of a different way to deal with millennial generation as its employees so that the company can achieve its goals. The existence of millennial generation as employees in Indonesia began to become a concern. The company hopes that the domination of employees from millennial generation can produce something better for the company in achieving its goals.

PT Z is one of the subsidiaries of a state-owned business entity of the Republic Indonesia which is engaged in information technology, experiencing conditions as described previously. Since 2015, PT Z experienced organizational change from its leadership to its employees. Human resources in PT Z are dominated by millennial generation, which is 80% employees are millennial generation. With the composition of these human resources, PT Z was able to achieve its goals through improving company performance (Figure 2).



Source: PT Z Annual Report 2017, 2018, 2019

Figure 2. Sales Growth 2015-2019

The company typically sets performance targets for each of its employees and the company hopes that the business produces good value for customers so that company goals can be achieved. This improved performance of company is clearly as a result of improved performance of employees. As stated by NawoseIng'ollan and Roussel (2017) through their research that leadership style influences employee's performance. In addition to leadership and employees, the working environment also follows this change. PT Z made big changes in its working environment to adjust with the character of human resources they have. PT Z adopted several world-class technology companies such as Google and Apple. As the results of Mathews and Khann (2016) research pointed out that the working environment has a large impact on the performance of employees in the factory sector in India. Li and Mahadevan (2017) in their research findings suggested that organizational climate has a positive relationship and a strong influence on employee performance.

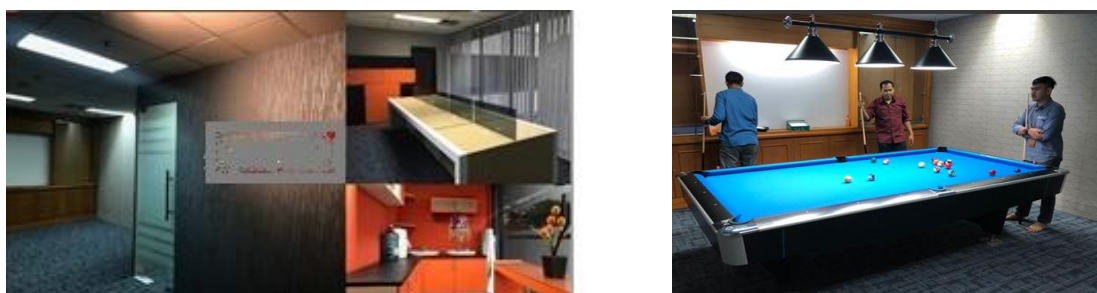


Figure 3. Working environment of PT Z

Along with the changes made, at 2017 to 2019 showed negative sales growth (figure 2).

Based on the background that has been described, researcher identify the problem is the leadership style that is applied, changes to better working environment and organizational climate is able to improve employee's performance among millennial generation, but did not last long, that performance decreased again.

Based on the background of this research, researcher formulated the research problem as follows:

- a. How leadership style, working environment, organizational climate, and employee's performance among millennial generation at PT Z.
- b. How is the influence of leadership style, working environment, organizational climate to employee's performance millennial generation at PT Z.

## LITERATURE REVIEW

### *Leadership Style*

Yukl (2013) argues that leadership is the process of influencing the activities of organization in order to achieve the goals of the organization. Robbins and Judge (2013) suggest two leadership styles that are currently as the focus of researchs is the transactional and transformational leadership. Transactional leadership is if someone guide or motivate followers in the direction of established goals by clarifying roles and task requirements. While transformational leadership is if someone inspire followers to to transcend their own self interest and who are capable of having a profound and extra ordinary effect on followers.

Robbins and Judge (2013) considers that each leadership style has different characteristics. Characteristics exhibited transactional leadership are:

- a. Contingent reward
- b. Passive management by exception
- c. Active management by exception
- d. Laissez faire leadership

While characteristics exhibited transformational leadership are:

- a. The leader has charisma that is recognized by his followers.
- b. Inspirational motivation
- c. Intellectual stimulation.
- d. Individualized consideration.

### ***Working Environment***

Working environment is a condition faced by employees in completing his work. Working environment includes work relationships that are formed between employees with superiors, coemployees, and subordinates, as well as the physical environment of the placework.

Such research has been carried out by Samson et al. (2015) shows that physical working environment and non-physical working environment effect on the performance of Commercial Bank employees in Nakuru City. Working environment is one of determining factor for the success of an employee.

Heizer and Render (2015), consider that working environment is the physical environment of employees that affects the employee's performance, safety and quality of their work lives. Siagian (2014) states that in general there are two types of working environment, namely the physical working environment which includes the workplace building, work equipment availability of places for taking a rest, places of worship, and transportation. The environment on-physical work that is able to create a harmonious working relationship between employees, both with colleagues, leaders and subordinates.

### ***Organizational Climate***

Ostroff et al. in Schneider and Barbera (2014) explain, in organizational climate part of the whole has been study on a single aspect of climate such as procedural justice, empowerment, or service.

Davis and Newstrom (2000) suggest that organizational climate is a concept which describes the internal atmosphere of the organization felt by its members as long as their activities in order to achieve organizational goals.

Kolb, Rubin and McIntyre (1974) describe that organizational climate has several dimensions (conformity, responsibility, organizational rules, rewards, organizational

clarity, interpersonal relationships and group spirit, and levels of leadership participation).

***Employee's Performance***

Employee's performance is how employees behave in the workplace and how they complete the tasks and responsibilities given by company. Vosloban (2012) suggests that employee's performance can support company growth.

explain that there are several elements of employee's performance, include:

- a. Quantity of results
- b. Quality of results
- c. Timeliness of results
- d. Employee work attendance
- e. Ability to work together

Nazwirman (2019) in his research address some variables examined, which one is working environment, working environment has a positive and significant effect on employee's performance.

Based on the literature review and previous research, the following research model can be made on figure 3.

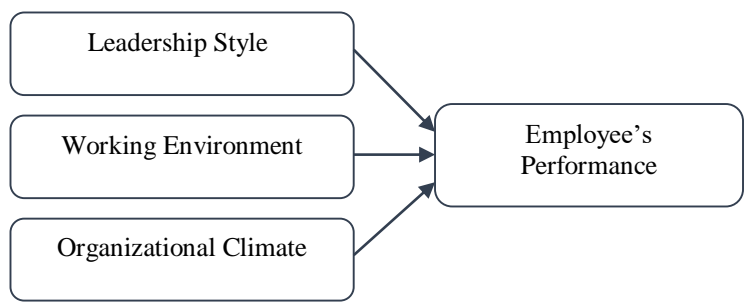


Figure 3. Research Model

Based on the research model that has been designed, the research hypothesis is:

- a. There is a positive influence of leadership style on employee's performance among millennial generation at PT Z.
- b. There is a positive influence of the working environment on employee's performance among millennial generation PT Z.
- c. There is a positive influence of organizational climate on employee's performance among millennial generation PT Z.

**RESEARCH METHOD**

Data collection in this study uses population of all employees of PT Z. Data used in this study are primary and secondary data. Primary data obtained through interviews

and distributes of survey questionnaire with leader's companies and employees. While secondary data obtained through literature studies from various sources such as company reports and previous studies.

This research consists of two types of variables, independent variables and dependent variable. Independent variables consist of leadership style (X1), working environment (X2), and organizational climate (X3). Dependent variable is employee's performance (Y).

This research is an explanatory research that aims to determine the effect between variables and test the research hypothesis.

This research uses descriptive and verificative statistical analysis. Descriptive statistical analysis is conducted to determine the quality of leadership style, working environment, organizational climate and employee's performance. While verificative statistical analysis uses multiple regression is carried out to find out how the effect of leadership styles, working environment, organizational climate to employee's performance. Based on the research model that has been designed, the hypothesis test that is compiled are:

H1 → Ho :  $\rho = 0$ , leadership style has no positive effect on employee's performance among millennial generation.

Ha :  $\rho \neq 0$ , leadership style has positive effect on employee's performance among millennial generation.

H2 → Ho :  $\rho = 0$ , working environment has no positive effect on the employee's performance among millennial generation.

Ha :  $\rho \neq 0$ , working environment has positive effect on the employee's performance among millennial generation.

H3 → Ho :  $\rho = 0$ , organizational climate has no positive effect on employee's performance among millennial generation.

Ha :  $\rho \neq 0$ , organizational climate has positive effect on employee's performance among millennial generation.

**RESULT AND DISCUSSION**

The results of descriptive statistics test for the leadership style, working environment, organizational climate, and employee's performance are shown in table 1.

Table 1. Descriptive Statistics Test Results

Variable	Score	Category
Leadership Style (X1)	3,86	Good
Working Environment (X2)	3,91	Good
Organizational Climate (X3)	4,16	Good
Employee's Performance (X4)	3,94	Good

Source: Data processing result (2020)

Table 1 shows the quality of the leadership style, working environment, organizational climate, and employee's performance at PT Z. Based on the range of scores, which has been determined, leadership style, working environment, organizational climate, and employee's performance at PT Z are good quality. Where leadership style has the lowest score compared to other variables and organizational climate has the highest score compared to other variables.

Verificative statistics test with multiple regression for leadership style, working environment and organizational climate to employee's performance is shown as follows.

Tabel 2. F-test

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	83,547	3	27,849	3,481	,026 <sup>a</sup>
	Residual	288,035	36	8,001		
	Total	371,582	39			

a. Predictors: (Constant), Organizational Climate, Leadership Style, Working Environment

b. Dependent Variable: Employee Performance

Source: Data processing result (2020)

Prob value F count (sig.) in table 2 is 0.026. It is smaller than the level of significance 0.05, so it can be concluded that the estimated regression model is feasible to use to explain the influence of leadership style, working environment and organizational climate among millennial generation in PT Z.

This research did not conduct a significance test because it used population is as stated by Sugiyono (2015), and according to Sudjana (2002) if the sample taken as much as the population, then the data are considered to be normally distributed and homogeneous.

Table 3. Proportion of the impact of leadership style, working environment, and organizational climate for employee's performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,474 <sup>a</sup>	,225	,160	2,82860

a. Predictors: (Constant), Organizational Climate, Leadership Style, Working Environment

Source: Data processing result (2020)

Leadership style, working environment and organizational climate has a proportion of influence on employee's performance by 47.4% while the remaining 52.6% is the influence of other variables that are not in the research model.

Table 4. Coefficient of Multiple Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7,348	2,321		3,166	,003
	Leadership Style	,101	,072	,421	1,403	,169
	Working Environment	-,193	,170	-,342	-1,137	,263
	Organizational Climate	,203	,083	,397	2,451	,019

a. Dependent Variable: Employee Performance

Source: Data processing result (2020)

The regression coefficient for leadership style is 0.101, working environment is -0.193 and organizational climate is 0.203. Coefficient regression of leadership style and organizational climate have a positive meaning when leadership style and organizational climate rise than employee's performance will increase. Similarly, when the leadership style and organizational climate go down then employee's performance will decrease. While the regression coefficient for working environment is -0.193, it has negative meaning that when working environment increases than employee's performance will decrease. Similarly, when working environment decreases then employee's performance will increase. This is contrary to theory proposed by Davis and Newstrom (2000) and previous research conducted by Mathews and Khann (2016) that the working environment has an positive influence to employee's performance.

### CONCLUSION

Based on the results and analyzes that have been carried out in this research, it can be concluded:

1. Leadership style, working environment, organizational climate, and employee's performance among millennial generation at PT. Intens are good, but various efforts still need to be made to achieve excellent quality especially in achieving company goals.
2. Leadership style has a positive influence on employee's performance on millennial generation at PT Z. Improvement in leadership style applied can improve the performance of employees at PT Z.
3. The working environment has a negative influence on employee's performance in millennial generation at PT Z. Improved working environment at PT Z excessive can reduce employee's performance at PT Z.
4. Organization climate has a positive influence on employee's performance in millennial generation at PT Z. Improved organizational climate can improve employee's performance at PT Z.

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