The effect of organizational commitment to the performance of y generation employees in PT bank Sumut with transformational leadership as moderation variables

Kelven Daniel Tambunan and Nazaruddin Nazaruddin and Endang Sulistya Rini

Universitas Sumatera Utara

October 2018

Online at https://mpra.ub.uni-muenchen.de/92357/
MPRA Paper No. 92357, posted 26 February 2019 13:15 UTC
THE EFFECT OF ORGANIZATIONAL COMMITMENT TO THE PERFORMANCE OF Y GENERATION EMPLOYEES IN PT BANK SUMUT WITH TRANSFORMATIONAL LEADERSHIP AS MODERATION VARIABLES

Kelven Daniel Tambunan 1, Nazaruddin 2, Endang Sulistyaa Rini 3

1,2,3. Magister of Management, Universitas Sumatera Utara, Jl. Prof. T Maas SU Campus, Medan, Indonesia - Postal Code 20155. Phone (+6261) 8218532

1 Correspondence Author: kelvintbn@gmail.com

We suggest you to cite this article as:

Abstract
PT Bank Sumut is one of the North Sumatra regional government-owned enterprises that have a lot of employees from different generations. More than 50% of PT Bank Sumut employees come from generation Y who should have better and higher performance than employees from other generations. However, the performance produced both in terms of asset and relative profit growth is still lagging behind other regional banks. The purpose of this research is to determine the influence of organizational commitment which consists of affective commitment, continuance commitment, and normative commitment to the performance of Y generation employees in PT Bank Sumut. The research type is correlational research. This research uses transformational leadership as a moderating variable that can strengthen or weaken the relationship of organizational commitment to the performance of generation Y employees. The number of samples from the employee population is 40 respondents. The population was generation Y employees aged 22-32 years at the headquarters of PT Bank Sumut. Data analysis uses multiple linear regression and variable moderation tests. The research results showed that there was a significant influence that affective commitment had a positive and significant effect; continuance commitment has a positive and significant effect; and normative commitment has a positive and significant effect on the performance Y-generation employee. Transformational leadership as a moderating variable to the performance of generation Y employees in PT Bank Sumut. From these results, the factors that most influence the performance of generation Y employees are affective commitment, continuance, and normative commitment.

Keywords: Generation Y, Organizational Commitment, Affective Commitment, Continuance Commitment, Normative Commitment, Transformational Leadership, Performance.

JEL Code: D21, D23, D71

1. INTRODUCTION
The Regional Development Bank was established with the aim to help to implement equitable development to all regions in Indonesia. North Sumatra Regional Development Bank or later also called PT Bank Sumut is one of the regional development banks owned by the developing North Sumatra Province. The company vision and mission to help to drive and advance the regional economy and able to provide optimal performance to advance. The high and low performance of a company can be seen from the growth of
profits and assets. The following is a comparison of the growth of profit and assets owned by PT Bank Sumut and BPD East Java.

Table 1. PT Bank Sumatera Utara asset and profit growth data

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Assets (Million Rupiah)</th>
<th>Net Profit (Million Rupiah)</th>
<th>Number of Employees</th>
<th>Productivity / Employees (Thousand Rupiah)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>19,965,000</td>
<td>421,776</td>
<td>2145</td>
<td>196,63</td>
</tr>
<tr>
<td>2013</td>
<td>21,490,000</td>
<td>531,968</td>
<td>2614</td>
<td>203,50</td>
</tr>
<tr>
<td>2014</td>
<td>23,389,000</td>
<td>467,878</td>
<td>2538</td>
<td>184,35</td>
</tr>
<tr>
<td>2015</td>
<td>24,130,000</td>
<td>464,930</td>
<td>2500</td>
<td>185,98</td>
</tr>
<tr>
<td>2016</td>
<td>26,170,000</td>
<td>584,500</td>
<td>2499</td>
<td>233,90</td>
</tr>
</tbody>
</table>


Table 1 presents data on the contribution of productivity per employee which is calculated based on the comparison between the profits generated by the number of employees in PT Bank Sumut. When compared to the productivity by the employee of PT Regional Development Bank of East Java (Table 2) the productivity per employee in PT Bank Sumut is still relatively smaller, regardless of the financial performance of each bank.

Table 2. Data on BPD East Java’s asset and profit growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Assets (Million Rupiah)</th>
<th>Net Profit (Million Rupiah)</th>
<th>Number of Employees</th>
<th>Productivity / Employees (Thousand Rupiah)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>33,046,537</td>
<td>824,312</td>
<td>3381</td>
<td>243,81</td>
</tr>
<tr>
<td>2013</td>
<td>37,998,046</td>
<td>939,084</td>
<td>3478</td>
<td>270,00</td>
</tr>
<tr>
<td>2014</td>
<td>42,803,631</td>
<td>884,500</td>
<td>3488</td>
<td>254,44</td>
</tr>
<tr>
<td>2015</td>
<td>43,032,950</td>
<td>1,028,016</td>
<td>3878</td>
<td>265,08</td>
</tr>
<tr>
<td>2016</td>
<td>51,518,681</td>
<td>1,159,190</td>
<td>4041</td>
<td>286,86</td>
</tr>
</tbody>
</table>


Table 2 and Table 3 the comparison ratios can be seen in 2012-2016. Comparing the net profit generated and the number of employees available, the productivity of PT Bank Sumut employee performance is relatively lower contributes an average of Rp 200,877 (thousand rupiah) per person while the productivity of East Java BPD employee reaches Rp 264,038 (thousand rupiah) per person.

Table 3. Demographic Data of PT Bank Sumut employees

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Employees</td>
<td>2181</td>
<td>2670</td>
<td>2538</td>
<td>2500</td>
<td>2568</td>
</tr>
<tr>
<td>Number of employees aged 22-32 years</td>
<td>1432</td>
<td>1455</td>
<td>1475</td>
<td>1405</td>
<td>1341</td>
</tr>
<tr>
<td>Percentage of employees aged 22-32 years</td>
<td>66.75%</td>
<td>55.66%</td>
<td>58.11%</td>
<td>56.20%</td>
<td>52.22%</td>
</tr>
</tbody>
</table>


From Table 3 it can be seen that the demographics of employees at PT Bank Sumut are more than 57% employees belonging to generation Y or millennials. On this basis, it
can be assumed that employees who belong to the Generation Y are able to provide maximum performance for the company where they work, so that the company's goals can be achieved through the creation of maximum performance and productivity.

However, in reality if compared with East Java BPD, PT Bank Sumut is relatively lagging behind in terms of profit and asset growth. It is suspected that there is a decline in employee performance in PT Bank Sumut where the majority of PT Bank Sumut employees are Y-generation employees who should have optimal productivity. In general, employee performance is influenced by several factors, including motivation, competence, leadership, organizational commitment, and working environment (Maksum et al., 2014; Muda and Dharsuky., 2015; Dalimunthe et al., 2016 & 2017). The results of the presurvey conducted to 30 respondents at the headquarter of PT Bank Sumut showed that the most dominant factors affecting employee performance were as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>Factor</th>
<th>Number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Motivation</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Competence</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Leadership</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Organizational Commitment</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>Working Environment</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
</tr>
</tbody>
</table>


From Table 4 it can be seen that the majority of employees in PT Bank Sumut argue that the factors that most influence employee performance are organizational commitment and leadership. The low performance is influenced by many factors, one of which is the organizational commitment that exists in employees. Commitment reflects how individuals identify themselves with the company and are bound by its goals. Creitner and Kinicki (in Kosasih and Eddy, 2003) state that higher commitment can facilitate higher productivity.

2. Literature Review

According to Mangkunegara (2005), performance is the work result in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities assigned to him. According to Meyer and Allen (2010) organizational commitment is a state of a member of an that is related by its company. Furthermore, Meyer and Allen (2010) define organizational commitment as a concept that has three aspects, namely affective, continuance, and normative commitment. Affective commitment is an emotional approach of individuals in engagement with the organization, so that individuals will feel connected to the organization. Continuance commitment is an individual's desire to survive in an organization, so that the individual feels the need to be associated with the organization. Normative commitment is a mandatory feeling from an individual to survive in an organization.

According to Ordway Tead (in Kartono, 2004) leadership is an activity that influences people so they want to work together to achieve the desired goals. In
concerning to transformational leadership, Bass, B. M.et.al (2003) say the following: “Transformational leaders transform the personal values of followers to support the vision and goals of the organization by fostering an environment where relationships can be formed and by establishing a climate of trust in which visions can be shared”. Bass and Avolio (1999) propose a dimension of transformational leadership known as the 4I concept: Idealized influence, Inspirational motivation, Intellectual stimulation, Individualized consideration.

3. RESEARCH METHOD

This type of research is correlational research (Correlational Research). The population in this research was employees aged 22-32 years at the headquarters of PT Bank Sumut. The number of samples taken was 40 respondents. Data analysis used multiple linear regression test and variable moderation test. Data was collected through questionnaires, then partially (t test) and simultaneously tested (F test) and to determine whether there was a relationship between commitments organization, and transformational leadership on performance both partially and simultaneously. In this research, organizational commitment consist of affective commitment, continuance commitment, and normative commitment are independent variables, transformational leadership is a moderating variable, while performance is a dependent variable.

4. RESULT AND DISCUSSION

4.1. Result

4.1.1. Respondent Characteristic

In this research the majority of respondents were in the age range 26-30 years as many as 27 respondents (67.5%), the majority of respondents were female as many as 33 respondents (82.5%) and respondents who were male were 7 people (17, 5%). All 40 respondents have an (S1) Bachelor degree education (100%), and the majority of respondents have a working period of under 5 years as many as 30 respondents (75%).

4.1.2. Result of Validity Test

Based on the results of the validity test, that the value $r$ count for each question item is greater than 0.312, this indicates that all question items are valid, meaning that all the questions in the questionnaire are able to reveal the one measured from the questionnaire.

4.1.3. Result of Reliability Test

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Cronbach’s Alpha</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Affective Commitment (X1)</td>
<td>0.791</td>
<td>Reliable</td>
</tr>
<tr>
<td>2</td>
<td>Continuance Commitment (X2)</td>
<td>0.839</td>
<td>Reliable</td>
</tr>
<tr>
<td>3</td>
<td>Normative Commitment (X3)</td>
<td>0.861</td>
<td>Reliable</td>
</tr>
<tr>
<td>4</td>
<td>Transformational leadership (Z)</td>
<td>0.904</td>
<td>Reliable</td>
</tr>
<tr>
<td>5</td>
<td>Performance (Y)</td>
<td>0.778</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source: Research Results, 2018 (data processed)
It is seen that the value of chronbach's alpha for each variable is greater than 0.60 (Sihombing et al., 2018; Tripriyono et al., 2018; Sofiyah et al., 2018; Pohan et al., 2018; Yahya et al., 2018). This shows that all question items are declared reliable, meaning that the respondent's answer to the question is consistent or stable over time.

4.1.4. Result of Normality Test

In this research, the significance values obtained are as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Affective Commitment (X1)</td>
<td>.098</td>
</tr>
<tr>
<td>2</td>
<td>Continuance Commitment (X2)</td>
<td>.253</td>
</tr>
<tr>
<td>3</td>
<td>Normative Commitment (X3)</td>
<td>.137</td>
</tr>
<tr>
<td>4</td>
<td>Transformational leadership (Z)</td>
<td>.924</td>
</tr>
<tr>
<td>5</td>
<td>Employee Performance (Y)</td>
<td>.756</td>
</tr>
</tbody>
</table>

Source: Research Results, 2018 (data processed)

Based on Table 6, it is known that all variables in this research obtained significance values, namely each affective commitment 0.098 > 0.05, continuance commitment 0.253 > 0.05, normative commitment 0.137 > 0.05, transformational leadership 0.924 > 0.05, and employee performance 0.756 > 0.05, so it can be concluded that all data in this research were normally distributed.

4.1.5. Results of Multicollinearity Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affective Commitment (X1)</td>
<td>.680</td>
<td>1.471</td>
</tr>
<tr>
<td>Continuance Commitment (X2)</td>
<td>.724</td>
<td>1.381</td>
</tr>
<tr>
<td>Normative Commitment (X3)</td>
<td>.470</td>
<td>2.128</td>
</tr>
<tr>
<td>Transformational leadership (Z)</td>
<td>.331</td>
<td>3.018</td>
</tr>
</tbody>
</table>

Source: Research Results, 2018 (data processed)

Based on Table 7 above, it is known that all independent variables in this research obtained tolerance values > 0.1 and VIF < 10, so that it can be concluded that the data in this research are free from multicollinearity problems.

4.1.6. Results of Heteroscedasticity Test
Figure 1. Results of Heteroscedasticity Test

Figure 1 indicates that the distribution of residual data spreads evenly and does not form a specific pattern around the zero origin. Then, it can be concluded that in this research heteroscedasticities did not occur.

4.1.7. Determination

From the results of the tests carried out, it is found that the R² value is 0.760, so it can be concluded that Affective Commitments, Continuance Commitments and Normative Commitments affect Employee Performance by 76%.

4.1.8. Results of Simultaneous Test (F Test)

From the results of the tests carried out, it is obtained a significance value of 0.000 < 0.05 (Dilham et al., 2018 and Nasution et al., 2018), it can be concluded that affective commitment, continuance commitment and normative commitment influence simultaneously / have a joint influence on employee performance.

4.1.9. Results of Partial Test (F Test)

a. Affective commitment obtained t_{count} value of 2.816 > 2.028 and a significance value of 0.0008 < 0.05, so it can be concluded that affective commitment has positive and significant effect on employee performance.

b. Continuous commitment obtained a t_{count} value of 4.626 > 2.028 and a significance value of 0.000 < 0.05, so it can be concluded that continuance commitment has a positive and significant effect on employee performance.

c. Normative commitment obtained t_{count} value of 7.512 > 2.028 and a significance value of 0.000 < 0.05, so it can be concluded that normative commitment has a positive and significant effect on employee performance.

4.1.10. Variable Moderation Test Results

From the test results, it is known that affective commitment, continuance commitment and normative commitment obtain R square value of 0.760, so affective commitment, continuance commitment and normative commitment affect employee performance by 76%. While affective commitment, continuance commitment and normative commitment moderated by transformational leadership obtained the R square value of 0.827, so affective commitment, continuance commitment and normative commitment which are moderated by transformational leadership affect employee performance by 82.7%. By looking at the results above, it can be concluded that transformational leadership is a variable that can moderate and strengthen the relationship
of affective commitment, continuance commitment and normative commitment to employee performance.

4.2. Discussion

In this research, the organizational commitment variables consisting of affective, continuance, and normative commitment provide a positive and significant influence on the performance of Y generation employees in PT Bank Sumut. Based on the results of analysis, it was obtained a regression equation that can be explained that the direction of the regression coefficient of independent variables consisting of X1 (affective commitment), X2 (continuance commitment), X3 (normative commitment) has a positive or significant effect on the performance of Y generation employees in PT Bank Sumut. This is supported by the correlation coefficient R obtained, if tabulated into the interpretation of multiple correlation coefficients in the coefficient interval which is at a strong relationship level. This means the relationship of affective, continuance, and normative commitment to the performance of Y-generation employees is at the level of strong. This can also be explained from the determination coefficient value obtained (R^2) with the coefficient of determination (R Square) of 0.760. It means that 76% of employee performance is influenced by affective commitment variables, continuance commitment and normative commitment in this research, while the remaining 24% is influenced by other variables outside the independent variables used in this research. Whereas affective commitment, continuance commitment and normative commitment moderated by transformational leadership obtained R square values of 0.827, so that affective commitment, continuance commitment and normative commitment moderated by transformational leadership affect employee performance by 82.7%.

4.2.1. Effect of Affective Commitments on Employee Performance

The t_{count} value for affective commitment obtained a value greater than the t_{table} value of 2.816 > 2.028 and the significance value is smaller than the alpha value (0.5), which is 0.0008 <0.05. So it can be concluded that partially affective commitment has a positive and significant effect on employee performance. Employees whose organizational commitment is based on strong affective commitment will continue to work with the company because of their own desires, based on their level of identification with the company and their willingness to help the organization to achieve its goals. Here employees feel they want to stay (work in the company) this is an emotional attachment or psychological attachment to the organization.

4.2.2. Effect of Continuance Commitment to Employee Performance

The t_{count} value for continuance commitment obtained a value greater than the t_{table} value of 4.626 > 2.028 and the significance value was smaller than the alpha value (0.5) which is 0.0000 <0.05 (Agustina et al., 2018). So, it can be concluded that partially the continuance commitment has a positive and significant effect on employee performance. In this research, continuance commitment has a position under affective commitment which has a significance level of 0.0000. Here the employee feels the need to remain in the company because they lack of skills. In also, there is no opportunity to move to other companies or receive higher salaries due to various limitations. They chose PT Bank Sumut because they needed the company. They chose to stay at PT Bank Sumut's headquarter because they considered losses they might receive if they left the organization and there were no other alternatives. There are several advantages that eventually become
a consideration when becoming an employee of PT Bank Sumut. In addition to salaries that will meet the needs, the employees also obtained other benefits such as health insurance, facilities, bonuses, other benefits that they feel they may not obtain if they leave the company and especially the majority of Y Generation thinks that the career paths that are felt are still quite important.

### 4.2.3. Influence of Normative Commitments to Employee Performance

The \( t_{\text{count}} \) value for normative commitment obtained a value greater than the \( t_{\text{table}} \) value of 7.512 > 2.028 and the significance value is smaller than the alpha value (0.5), which is 0.0000 < 0.05. So, it can be concluded that partially normative commitment has a positive and significant effect on employee performance. Normative commitment is an obligatory feeling from an individual to survive in an organization. Normative commitment is the employee's feeling about the obligation he/she must give to the company, and this action is the right thing to do. Employees with strong normative commitment will continue to join the organization because they feel they have enough for their lives. In this research, normative commitment has the same position as continuance commitment which both has a significance value of 0.0000 under affective commitment. A compulsory feeling to stay in the company because some Y generation employees feel they must responsible for giving the best and must serve the organization.

### 4.2.4. Transformational Leadership as A Moderating Variable That Strengthens or Weakens Employee Performance of PT Bank Sumut

By looking at the results obtained, it can be concluded that transformational leadership is a variable that can moderate and strengthen the relationship of affective commitment, continuance commitment and normative commitment to employee performance. This model is considered as the best model in explaining the characteristics of leaders. The concept of transformational leadership integrates ideas developed in the character approach, style and contingency. Conversely, Burns states that transformational leadership models essentially emphasize that leaders need to motivate their subordinates to carry out their responsibilities more than they expected. Transformational leaders must be able to define, communicate and articulate the organization's vision, and subordinates must accept and recognize the credibility of their leaders. Therefore, transformational leaders are charismatic leaders and have a central and strategic role in bringing the organization to its goals. Transformational leaders must also have the ability to equalize their vision of the future with their subordinates, and enhance the needs of subordinates at a higher level than what they need. It begins with an effort to foster encouragement or motivation to be successful in carrying out work based on the awareness of the personnel concerned.

### 5. Conclusion and Suggestion

#### 5.1. Conclusion

1. Organizational commitment variables consisting of affective commitment, continuance commitment, and normative commitment, simultaneously have a positive and significant effect on employee performance, especially employees who belong the Y generation category in PT Bank Sumut.

   Partially, affective commitment has a positive and significant effect on employee performance. Continuance commitment has a positive and significant effect on
employee performance, and normative commitment has a positive and significant effect on the performance of Y generation employees in PT Bank Sumut.

2. Affective commitment variables, continuance commitment, normative commitment have an effect on performance by 76%, while 24% of Y generation employees' performance in PT Bank Sumut is influenced by other variables outside the research. Affective commitment variables, continuance commitment, and normative commitment of the three dominant influences the performance of Y generation employees in PT Bank Sumut.

3. Based on the results of research conducted, transformational leadership variable is a moderating variable that strengthens the relationship between affective commitment, continuance commitment, and normative commitment.

5.2. Suggestion

1. Based on the results obtained from the data analysis, the affective commitment, continuance commitment, and normative commitment variables influence the performance of PT Bank Sumut employees. PT Bank Sumut must continue to develop new strategies to increase the commitment of its employees to have an affective, continuance, and normative commitment, especially Y generation employees who will become leaders in the future.

2. Providing leadership training especially transformational leadership to all leaders or supervisors to the bottom line so that employees feel closer to the organization and have a better emotional relationship with the organization.

3. Good organizational management includes the overall psycho-social aspects of work experienced by employees, especially Y Generation employees, so that it influences the development of their commitment.

References


Baihaqi, Fauzan. (2010). The Effect of Leadership Style on Job Satisfaction and Performance with Organizational Commitment as Intervening Variables (Study at PT. Yudhistira Ghailia Indonesia Yogyakarta Branch Area). Diponegoro University, Semarang.


Hall, 2012. Leadership style predilection of baby boomers, generation x’s, and generators. University of Maryland University college.


Murphy. (2011). Exploring generational differences. ProQuest LLC.