

# **Influence of Organizational Culture, Compensation and Leadership on Organizational Satisfaction and Commitment and Performance to the Company Pare Pare City Pdam**

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## **Abstract**

*The presence of PDAM is possible through Law No. 5 of 1962 as a unit of local government-owned enterprises (Local Government) that provide services and organize public benefits in the field of drinking water. PDAM activities range from collecting, processing, and clearing, to distributing to customers. PDAM is needed by urban communities to meet the needs of clean water that is feasible to be consumed. Until now the presence of PDAM is actually a solution for the supply of clean water, but in reality not without problems, especially the quality of water produced. According to the Report of the Indonesian Transparency Society (1999:3), people often complain that water distributed by PDAM is often jammed, murky, and still smells of chlorine. People in some areas end up only using PAM water for bathing, while for drinking is forced to spend extra money to buy bottled drinking water (AMDK) which costs more. In this study the sample was used as many as 225 In the path analysis research was used to determine the direct and non-direct influence of organizational culture variables, compensation, leadership, job satisfaction, organizational commitment to employee performance. The results of the study showed that the culture of the organization, compensation, leadership had a positive effect on the performance of PDAM Pare-pare*

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## **I. Intuduction**

Creating quality human resources is not easy, but rather a complicated and challenging job. This is experienced by the Indonesian nation, although it has tried its best, still the quality of human resources in general has not been satisfactory. One indicator of the low quality of Indonesian human resources is the Human Development Index (HDI) ranking for 2007 and 2006, which placed Indonesia at number 108. Improving the quality of human resources is fundamental to achieving success, including the performance of employees in PDAM in providing clean water in the community. Currently the problem of providing clean water is a major concern, both developed and developing countries. Indonesia, like other developing countries, does not escape the problem of providing clean water to the community. Water is rapidly becoming an increasingly step-by-step resource and there is no substitute source. Although about 70 percent of the earth's surface is occupied by water, 97 percent is salt water that cannot be directly consumed by humans

The presence of PDAM is possible through Law No. 5 of 1962 as a unit of local government-owned enterprises (Local Government) that provide services and organize public benefits in the field of drinking water. PDAM activities range from collecting, processing, and clearing, to distributing to customers. PDAM is needed by urban communities to meet the needs of clean water that is feasible to be consumed.

Until now the presence of PDAM is actually a solution for the supply of clean water, but in reality not without problems, especially the quality of water produced. According to the Report of the Indonesian Transparency Society (1999:3), people often complain that water distributed by PDAM is often jammed, murky, and still smells of chlorine. People in some areas end up only using PAM water for bathing, while for drinking is forced to spend extra money to buy bottled drinking water (AMDK) which costs more. In addition to inadequate quality, PDAM also faces efficiency problems and leakage rates that are still high. The physical leakage rate of drinking water companies in Indonesia is on average above 30%. This water loss is caused by old pipes and also theft by installing wild connections before entering the meter. From physical leaks alone, PDAM has lost billions of rupiah. Not to mention losses due to management inefficiencies.

With all the permasalahan and weaknesses above, the PDAM desperately needs Human Resources that have the skills, creativity, innovation to cover all the weaknesses of the company Drinking Water District, but in fact even though the community has delivered both directly to employees and the public conveyed to the Head of The Region and members of the local parliament, even often the public delivered through the media, be it

print media, or electro media , openly, but in fact there is no effort from PDAM employees to make improvements that become community reports, and almost every day we read through print media, some PDAM offices in sul-sel region are visited by the community, and conduct demos demanding service improvement. Even until the community demands a change of management.

As with other Provensi PDAM, PDAM Provensi Sul-Sel also experienced the same constraints, such as high operational costs, low tariffs, limited production capacity, lack of production facilities, low quantity of raw water sources, and poor raw water quality. In addition, the leak rate is still high which on average reaches the PDAM parepare area leak rate of 60%.

This is what encourages or motivates the author to conduct research, at the Parepare Capet Region Drinking Water Regional Company, Whether that causes employee performance does not show good or maximum results, Employee commitment can be described into three characteristics of individuals, namely strong trust, acceptance of values and objectives of organization and desire to provide the best results in the interests of the organization and strive to maintain membership , because one's commitment to the organization will greatly influence the activities in the work that through its performance, (Allen and Mayer, 1997).

Previous research has proven that organizational culture, compensation, leadership, job satisfaction and organizational commitment affect performance. Research on the influence of organizational culture on employee performance among others is evidenced by Kotter and Haskett (in Rashid, Sambasivan, and Johari, 2003: 11) as well as Aidla and Vadli (2005: 5) whose results conclude that organizational culture affects performance. Research on the effect of compensation on employee performance was conducted by Jenkins, et al (in Kuvaas, 2006: 367) and Condly, Clark and Stlovitch (2003: 58) who concluded that incentives, which are part of compensation, can significantly improve performance.

Then research on the influence of emotional intelligence on employee performance was conducted by Sy, Tram and O'Hara (2006: 470) and Douglas, Frink and Ferris (2004: 5) proving that leadership has an influence on performance. While research on the effect of job satisfaction on employee performance was conducted by Paulin, Ferguson, and Bergeron (2006: 912) that job satisfaction has a relationship with performance. While research on the influence of organizational commitment to performance was conducted by Bishop et al (2000) and Johns (2005: 1) the results prove that the organization's commitment has a relationship or influence on performance.

Previous researches were generally conducted in private companies, especially those engaged in the production sector. Private companies clearly have different characteristics with regional drinking water companies, both in terms of management, products, business environment, and business orientation. Self-sta company is in a competitive business environment, while the Drinking Water Regional Company is in a monopoly environment that does not face competition selling prices can not be raised according to market conditions, so it greatly affects the management applied and also affects the work ethic of its employees. This becomes a gap or gap with the study conducted in this study, where the research took the object of government institutions namely the Regional Drinking Water Company (PDAM) in parepare kapet region. Thus, this research seeks to complete and fill the gap, by taking the object of research in government institutions.

## **II. Literature Review**

### **a. Human Resource Management**

Human resource management (MSDM) is a very important concentration of management field studies. Human resource management is related to the planning and empowerment of human resources organi-sasi. Deep and widely discussed aspects include the influence of leadership style, work motivation and competence on work performance and its implications for employee job satisfaction.

Management is basically an attempt to organize everything (resources) to achieve organizational goals. This is a grand theory of Timpe (2006:58) which states that management is the umbrella of human resources that regulate the potential of human resources (HR), in an organization to achieve organizational goals.

Management as a science and art. Management as a science is a logical and systematic collection of knowledge. Management as an art is a personal creativity accompanied by a skill in developing management as the core of the art of knowledge (Terry, 2008:69). Stages of management development, one of the branches of management science is human resources that become middle theory in understanding the importance of human resource management (MSDM) as a science that makes people, as the most important part of the organization. Matra I.G.M and Jackson (2004:78) stated that the success of the organization is determined by human resources who are able to perform management functions well. Human resources (HR) are defined as tools to achieve the goal or ability to profit from existing opportunities, according to the ability of human beings who carry out activities or the wheels of organization. Timpe A. Dale (2008:110) states the word human resource reflects the human appraisal.

The word human resources always refers to an object or substance, in accordance with operational functions to achieve certain objectives such as fulfillment of satisfaction, organizational commitment,

professionalism, organizational behavior and performance and others. Dessler (2007:212) defines human resource management as a management activity that includes utilization, development, assessment, reward for human beings as individuals and members of the organization. Human resource management concerns ways of designing planning systems, employee preparation, career management, performance evaluation, satisfaction, organizational commitment, professionalism, employee compensation organization behavior and employment relations. Human resource management (MSDM) involves all management practices that can directly affect the organization.

The above view gave birth to a construction of operational theory of human resource management such as work motivation theory, emotional intelligence, competence, achievement and satisfaction, so on according to the dynamics and progress of the organization. The context of a construction theory is indispensable for explaining and providing the view that human resource management (MSDM), is a micro and macro science. Ferdinald. A.(2002:26) states that the implementation of human resource management will run well if each individual human resources are given work development in carrying out all work activities in accordance with management functions to achieve organizational goals. Every organization in achieving its goals, requires the implementation of management. The implementation of management is one of them is the application of human resource management (MSDM). An organization will progress and develop if the implementation of management is carried out properly in accordance with management functions. The success of an application of human resource management if the roles and functions run in accordance with the vision, mission, and objectives of an organization management, the concept of human resource management directly has a role and contribute to achieve the goals of the organization. (McKenna, 2004:126). The above descriptions are related to the research conducted, in accordance with the urgency and capacity of the foundation to explain that this research is based on and strengthened by grand theory management, and enriched by the construction of middle theory in the form of human resources journals, and the operational level of theories in the form of assessment results from various literature directly related to research in the field of human resources (HR).

b. Organizational culture

In relation to the organization's cultural development, Schein (2002:28) defefnisikan it as follows: "a pattern of basic assmtions-invented, discovered, or developed by a given group as it leans to cope with a problem of external adaptation and internal integration that has worked enough to be considered perceive, think, andfeel in relation to those problems."

The definition shows that organizational culture is the assumptions and basic beliefs shared by members of the organization and is a consistent solution that can run well for a group in dealing with external and internal problems, so that it can be taught to members as a perception, think and feel in relation to these issues.

According to Luthans (Wirawan, 2003:75) states: "The word 'style' is roughly equivalent to the way the leader influences followers. The accompanying, international Application Example indicates that this style may be influenced by cultur..."he thinks leadership style is the way leaders influence their followers. He stated that the leadership style was influenced by culture. Organizational culture is a shared value and belief that serves as a guideline for thinking and acting of all members in achieving goals, as well as solving problems of external adaptation and internal integration (Deal and Kennedy, 1982; Miller, 1987; Senge, 1990; Hofstede, 1991; Schein, 1992) (Eoh, 2001). The cultural values of the organization include: 1) adaptive values, focusing on innovation and productivity, which characterize flexibility and relate to external adaptability; 2) integrative values, adherence to obedience and human virtue, which characterize self-control and relate to the power of internal integration. The essence of organizational culture is the way we do things in the organization.

According to Hunger and Wheelen (1996:25), corporate culture has two important attributes. First, the intensity, which is "how much members of a business unit agree on the norms, values, or other cultural elements associated with that business unit." The second attribute is that integration is how much business units in an organization share the same culture." Organizations with a dominant culture with strong foundations are usually hierarchically controlled and power-oriented. Because organizational culture can have a strong influence on the behavior of all employees, the culture of the organization can have a big influence on the ability of the company to change the direction of its strategy.

A leader comes from a variety of different cultural backgrounds Byrd and Block (Sujak, 1990:91), the skills in leadership consist of five kinds of: 1) power of attorney, 2) intuition, 3) self-understanding, 4) views, and 5) harmony values. What is meant by empowering is the division of power by the leader against his subordinates. Intuition (intuition) is the involvement of managers in looking at situations, anticipating changes, taking risks, and building honesty. Self-understanding (self understandng) is the ability to recognize the strengths / positive things that exist in him and the ability to establish efforts to overcome weaknesses that exist in him. While the view (vision) is involvement in imagining different environmental conditions, as well as in imagining a condition to improve the organizational environment. Congruence value is its ability to know and

understand the values that develop in the organization, the values that its subordinates have, and in integrating the two values into an effective organization.

Schein (Ndraha, 1997:62) suggests organizational culture is a form of assumption that is implicitly accepted by the group and determines how the group feels, thinks and reacts to its diverse environment. It is categorized into 5 groups namely: 1). Adaptive value for achievement; 2) Integrative value for self-control; 3) Confidence; 4). Commitment to organizational goals.and 5). Ethical behavior. Successful organizations have a key characteristic that distinguishes them from unsuccessful organizations, namely dynamic and effective leadership. Drucker (Hersey and Blanchard, 1982) suggests that leaders (managers) are the rarest basic resource in the organization, "out of every hundred new business establishments, approximately fifty or a half, roll out in two years. At the end of the fifth year, only one-third survived. almost all of those failures were due to ineffective leadership. Transformational type leadership can also help organization members suppress their personal interests for organizational purposes (Garden and Avolio, 1998; Klein and House, 1995, Shamir, House 1993:139. In Michael Ritchie, 2000:35).

c. Compensation

Compensation has become a necessity for every employee in an organization, and compensation is the most powerful driving force of people willing to work, Employee compensation is generally designed to do three things, namely: to attract capable employees into the organization, motivate them to achieve superior achievements, and to get a long service life. According to Dessler (1998:45) There are two compensations, namely direct financial payments in the form of wages, salaries, incentives, commissions and bonuses and non-direct payments in the form of financial benefits such as insurance and holiday money. In Dessler's view (1998: 41), there are two main ways to base financial payments on employees, namely based on time and performance.

In general, compensation is divided into two kinds, namely financial compensation and non-financial compensation. Especially financial compensation according to simamora (1995: 413 ) consists of 2 types, namely Direct and non-direct compensation, Which category of direct compensation for example, Salary and Incentives, while for compensation is not directly for example is the allowance According to Hariandja (2005: 245), Salary is a reward in the form of money received by employees as a consequence of his position as an employee who contributed in achieving organizational goals. Or it can also be said as a fixed payment received by a person from his membership in an organization. According to Asnawi (1995:56), Incentives are financial rewards paid to workers whose production is paid to workers whose production exceeds the standards set before. Thus, incentives are an element of reciprocated services provided does not remain dependent on the achievement of employee's work performance.

Meanwhile, Sarwoto (1991: 144) defines incentives as a rolesang or encouragement given intentionally to workers so that in them arise a greater spirit to excel in the organization. Regarding incentive objectives, Asnawi (1999:58) stated that the purpose of incentives is to motivate employees to work effectively for companies that employ them

According to Flippo (1994:102) the main purpose of compensation in the form of benefits is to make employees devote their lives to the organization in the long run. When it comes to compensation, individuals usually have different tendencies or orientations. In general, a person's personality is related to compensation that can be grouped into four groups. First, materialistic personality, which relatively cenderung make the level of Compensation as the main motivation of a person in work. Both are personality with low self-confidence, which prefers large organizations with low pay for performance. Third, risk takers, who prefer performance-based payroll model compensation, Fourth, individualis, who tend to prefer individual performance-based compensation, rather than group performance (Cabe & judge, and Morgeson et al, 2001:221).

Work skills-based compensation is a payroll scheme that associates salary with the level of proficiency used in a position, sometimes with the mastery and application of new skills to carry out a position (Amstrong and Murlis, 2003:91). Skill-based compensation is developed in two forms, namely the placement of commusional positions and salary advancement associated with skills, according to Amstrong and Murlis (2003:92), there are several reasons to apply skills-based compensation, flexibility demands, demands for efficiency and effectiveness, increasing commitment, cultural change, creation of independent teams, increasing fairness in the payroll system maintaining quality, strengthening the motivation of workers dkaryawan, helping efficiency of labor use, and improving the diversity of salaries.

Based on the description above, it is concluded that compensation is everything that employees receive in return for work that has been done in the organization either directly in the form of money (financial) or non-direct in the form of non-financial (non-financial) which is measured based on indicators of salary, incentives and benefits.

d. Leadership

Researchers usually define leadership according to individual perspectives and aspects of the phenomena that interest them most. Stogdill (2004:259) concludes that "there are almost as many definitions of leadership as the number of people who have tried to define the concept". Leadership is defined in relation to individual traits, behaviors, influences on others, patterns of interaction, role relationships, place in an administrative position, as well as perceptions by others of the validity of influence (Yuki, 2001:2). According to Robbins (2007:432), leadership is the ability to influence groups toward achieving goals. Leadership that uses respectful behavior, building cooperation, encouraging the spirit of work and helping subordinates to achieve goals, will be able to improve the performance and job satisfaction of employees.

According to Richard L. Daft (2006:313), that leadership is the ability to influence people to achieve organizational goals. Leaders have the authority to direct various leadership activities directly and can also influence how subordinates carry out their orders. Bothwell in Rivai (2006) says that leadership is sometimes understood as a force to move and influence people. That is, leadership as a tool, means or process to persuade people to be willing to do something voluntarily. Therefore, according to Wright and David (1994); Kirpatrick and Locke (1996), several factors that can move people are: because of threats, awards, authority, and persuasion. Alan, Geoffrey and James (1990); Steers (1996) says leadership as a process of directing and influencing activities that have to do with the work of group members, then the important implications contained therein are that: 1) leadership involves others, be it subordinates or followers; 2) leadership involves the distribution of power between the leadership and group members in a balanced manner, because the members of the group are not without power; and 3) the ability to use different forms of power to influence the behavior of their followers through various means of being part of a very important manager or leadership strategy.

Handoko (2006) identified three implications and definitions of leadership: leadership concerning others, subordinates or followers. Their willingness to receive direction from the leadership, where the members of the group help determine the status / position of the leader and make the leadership process can run. Without subordinates, all one's leadership qualities would be meaningless

e. Job Satisfaction

According to Wsexley and Yuki (1977: 98) defines job satisfaction as "the way an employee feels about his or her job" Meaning that job satisfaction is the way employees feel about themselves and their jobs. Based on this opinion, it can be known that job satisfaction is a feeling that supports or does not support in employees related to work involving aspects such as efforts, career development opportunities, relationships with other employees, job placements, and organizational structure. Meanwhile, feelings related to him include age, health condition, ability and education. Karyawan who has high satisfaction in work is characterized by five things, namely: 1. Believing that the Organization can be satisfactory in the long run, (2). Maintaining the quality of its work, (3) Commitment to Organization, (4) Having a high memory, (5) Being More productive (Bavendam Research Incorporated, 2005:1) Osborn's theory (1982:40) defines job satisfaction as a positive or negative degree of one's feelings regarding the aspects of their work tasks, work order and relationships between fellow workers.

An important factor that can be a measure of the success of the quality of work in an organization is the ability of the quality of work in providing satisfaction to him.

(Best: 1997:11). Job satisfaction has a considerable influence on the productivity of an organization directly or indirectly. There are some experts who give defenisi about job satisfaction such as Devis and Newstrom (1985:109) devinating that :Job satisfaction is a feeling of pleasure or displeasure of work towards his work. Satisfier or motivators are factors or situations that it proves to be a source of job satisfaction consisting of interesting work, job challenges, achievements, awards and work responsibilities. This factor is the cause of fulfillment of satisfaction and is referred to as a fulfillment. Hygiene Factors are factors that are evidenced to be a source of satisfaction, consisting of salary, incentives, supervision of personal relationships, working conditions and status. The existence of this condition does not always cause satisfaction for human resources but its unrighteousness can lead to type satisfaction. ( Gibson, 2004:63).

Satisfaction and motivation are often used interchangeably with almost simultaneous understandings, whereas these two words have differences. Some experts on the theory of satisfaction such as Abraham Maslow (1954:71), McGregor, Frederic Herzberg, and McDelland, reinforce the notion of the factors within the individual that cause him to act in a certain way as revealed by Stoner (1996:84). According to this view, a person has a need in him that makes them excited, depressed or motivated to reduce or meet those needs. That is, a person will act or behave in ways that will lead to the gratification of their needs, both physical needs and logical needs.

According to Maslow (1954:23) the hierarchy of human needs is a predictor and descriptor. Maslow therefore (1954:24) based his theory on two dimensions: the first dimension: that human needs depend on what

he already has Insatiable needs will not move as motivators, and the second Dimension: that those needs are organized in a hierarchy of interests. When a need is satisfied, then the other will grow by itself to be satisfied.

f. Performance

Performance is a term derived from the word job performance or actual performance which is interpreted as a work performance or real achievement achieved by a person (Sikula in Madris, 2007). Therefore, performance can be interpreted as the performance of work that is the result of work in quality and quantity achieved by a worker in carrying out his duties in accordance with the responsibilities given to him.

According to Rivai (2008:309), performance is a real behavior that everyone displays as a work performance produced by employees according to their role in the company. Therefore, employee performance is very important in the company's efforts to achieve its goals. Furthermore Prawirosentono (2007:2) suggests performance is the result of work that can be achieved by a person or group of people in an organization in accordance with their respective authorities and responsibilities in order to achieve the objectives of the organization concerned legally, not breaking the law and in accordance with morals and ethics. Gomes (2003) defines employee performance as expressions such as output, efficiency and effectiveness and is often associated with productivity. Furthermore, the definition of performance according to Mangkunegara (2006:9) that employee performance (work performance) is the result of work in quality and quantity achieved by an employee in carrying out his/her duties in accordance with the responsibilities given to him. Therefore it is concluded that the performance of human resources is the performance of work or work results (output) both quality and quantity achieved by the union in the period of time in carrying out its work duties in accordance with the responsibilities given to it.

Based on some of the opinions above gives an idea that performance is the result of work that can be measured through certain measurements (standards) taking into account the quality, quantity, and timeliness of work. Quality is related to the quality of work produced, while quantity is the amount of work produced in a certain period of time, and punctuality is the suitability of the planned time.

Related to the performance of many management experts who have given their definition. One of them is mentioned by Mangkunegara (1995: 52) which states that performance is the result of quality and quantity achieved by a person in carrying out his duties in accordance with the responsibilities given.

### III. Methodology

Methods used in research according to Ary, et al ( 1979: 297). It is a survey because it measures the real things and the abstract understandings. Kerlinger (1998: 660) stated that the survey study examined populations large and small by selecting and reviewing selected samples from the population. For distribution, and relative interrelation of sociological and psychological variables. This method was chosen because it can cover a variety of phenomena as they are and can allow for wider studies due to the relationship of various variables studied. The study also measured the causal relationship between exogenous variables and endogenous variables. The population of this study is employees in Lima (5)PDAM IN Kapet Parepare Region which all amounted to 414 employees (condition at the end of December 2011). The research samples taken in this study are the pdam of Parepare, Pinrang, Barru, Sidrap, and Enrekang. Data analysis method obtained will be analyzed using inferential statistics, namely by path analysis statistics method. In the research analysis path is used to determine the direct and non-direct influence of organizational culture variables, compensation, leadership, job satisfaction, organizational commitment to employee performance. The research model developed in the study is a service model, because the path goes in one direction, with a manifest variable that can be observed or measured directly.

### IV. Results and Discussion

The computational results shown in Table 1 show that the goodness of fit indices criteria submitted as a condition of a model's fit are all met and declared fit. Thus, the proposed model is the final model of Organizational Culture and it is this model that will be used in the next analysis. For details, computational results on the criteria of goodness of fit indices can be seen in Table 1 below.

**Table 1.**  
Computational Criteria Goodness of Fit Indices Testing Organizational Culture

Criteria	Cut-off Value	Computational Results	Description
Chi-Square	Small expected	5.148	Fit
Rel.Chi-Square	≤ 2,00	1.030	Fit
Sig. Probability	≥ 0,05	0.398	Fit
RMSEA	≤ 0,08	0.012	Fit
Cfi	≥ 0,90	1.000	Fit

TLI	≥ 0,90	1.000	Fit
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Models that have qualified goodness of fit above are then evaluated to see if the indicators used together can describe or explain a factor (latent variable). The higher the loading factor value, the better to describe latent variables. The computational results of the indicators of Organizational Culture are shown in Table 2 below.

**Table 2**  
Results of Analysis of Validity and Reliability of Organizational Culture

			<i>L<sub>f</sub></i>	S.E.	C.r.	Q	Label
x11	<---	x1	1.000				
x12	<---	x1	0.475	0.030	16.025	0.000	par_1
x13	<---	x1	0.556	0.032	17.582	0.000	par_2
x14	<---	x1	0.914	0.015	59.598	0.000	par_3
x15	<---	x1	0.573	0.017	33.447	0.000	par_4
x16	<---	x1	0.628	0.028	22.515	0.000	par_5
x17	<---	x1	0.652	0.018	37.191	0.000	par_6
x18	<---	x1	0.985	0.038	26.248	0.000	par_7
x19	<---	x1	1.293	0.037	34.886	0.000	par_8

Based on Table 2 it appears that the loading factor value of each indicator is more than 0.40. This indicates that the nine indicators that make up the Organizational Culture construct are all declared valid with an adequate level of internal consistency. Likewise, the reliability level, this construct has a significant regression weight because (cronbach alpha) > 0.70 or 0.983 > 0.70.

The results of this affirmative test also provide the interpretation that of the nine variables used in measuring Organizational Culture, respondents responded to communication patterns (X1.9) i.e. the level of communication limitations in the appropriate organization authority on the formal hierarchy as the dominant variable is very concerned by employees, this is evidenced by an estimated value of 1,293 greater than other variables. So that wherever possible the management of the Regional Drinking Water Company (PDAM) pays more attention to the variables of communication patterns (X1.9).

The computational results shown in Table 5.35 show that the goodness of fit indices criteria submitted as a condition of fit of a model are all met and declared fit. Thus, the proposed model is the final model of Compensation and this model will be used in the next analysis. For details, computational results on the criteria of goodness of fit indices can be seen in Table 3 below.

**Table 3**  
Computational Criteria Goodness of Fit Indices Compensation Testing

Criteria	<i>Cut-off Value</i>	Computational Results	Description
Chi-Square	Small expected	1.181	Fit
Rel.Chi-Square	□ 2.00	1.181	Fit
Sig. Probability	replication 0.05	0.277	Fit
RMSEA	□ 0.08	0.030	Fit
Cfi	replication 0.90	0.999	Fit
TLI	replication 0.90	0.998	Fit

Models that have qualified goodness of fit above are then evaluated to see if the indicators used together can describe or explain a factor (latent variable). The higher the loading factor value, the better to describe latent variables. The computational results of the indicators from Compensation are shown in Table 4 below.

**Table 4**  
Results of Compensation Validity and Reliability Analysis

			<i>Lf</i>	S.E.	C.r.	Q	Label
x21	<---	x2	1.000				
x22	<---	x2	0.711	0.84	8.458	0.008	par_1
x23	<---	x2	1.000				

Based on Table 4 it appears that the loading factor value of each indicator is more than 0.40. This indicates that the three indicators that make up the Compensation construct are all declared valid with an adequate level of internal consistency. Likewise, the reliability level, this construct has a significant regression weight because (cronbach alpha) > 0.70 or 0.983 > 0.70. The results of this affirmative test also provide the interpretation that of the three indicators used in measuring Compensation, Respondents respond to Salary (X2.1) i.e. repayment in the form of money received by employees as a consequence of their position as an employee who contributes in achieving organizational goals and Benefits (X2.3) which is a reward given by the organization both financially and non-financially given directly or indirectly to ensure the long-term employee's uniformity as the dominant indicator is highly considered by employees, this is evidenced by an estimated value of 1,000 greater than other indicators. So that wherever possible the management of the Regional Drinking Water Company (PDAM) pays more attention to the factors of Salary (X2.1) and Allowances (X2.3).

The computational results shown in Table 5.45 show that the goodness of fit indices criteria submitted as a condition of fit of a model are all met and declared fit. Thus, the proposed model is the final model of Job satisfaction and this model will be used in the next analysis. The computational results of the indicators from Leadership are shown in Table 5 below.

**Table 5**  
Computational Criteria Goodness of Fit Indices Job Satisfaction Testing

Criteria	Cut-off Value	Computational Results	Description
Chi-Square	Small expected	0.777	Fit
Rel.Chi-Square	□ 2.00	0.777	Fit
Sig. Probability	replication 0.05	0.378	Fit
RMSEA	□ 0.08	0.000	Fit
Cfi	replication 0.90	1.000	Fit
TLI	replication 0.90	1.008	Fit

The models that have qualified goodness of fit above are then evaluated to see if the indicators used together can describe or explain a factor (latent variable). The higher the loading factor value, the better to describe latent variables. The computational results of the indicators of Job Satisfaction are shown in Table 6 below.

**Table 6**  
Results of Analysis of Validity and Reliability of Job Satisfaction

			<i>Lf</i>	S.E.	C.r.	Q	Label
y11	<---	y1	1				
y12	<---	y1	0.678	0.054	12.518	0.000	par_1
y13	<---	y1	0.971	0.046	21.190	0.000	par_2
y14	<---	y1	0.901	0.016	55.111	0.000	par_3
y15	<---	y1	0.549	0.021	25.577	0.000	par_4
y16	<---	y1	0.553	0.031	18.040	0.000	par_5
y17	<---	y1	0.704	0.012	56.044	0.000	par_6
y18	<---	y1	1.045	0.028	37.006	0.000	par_7

Based on Table 6 it appears that the loading factor value of each indicator is more than 0.40. This indicates that the eight indicators that make up the Job satisfaction construct are all declared valid with an

adequate level of internal consistency. Likewise, the reliability level, this construct has a significant regression weight because (cronbach alpha) > 0.70 or 0.936 > 0.70. The results of this affirmative test also provide the interpretation that of the nine indicators used in measuring job satisfaction, respondents responded to the Promotion (Y1.8) which is a factor related to the opportunity to obtain a career improvement during work as the dominant indicator is highly noticed by employees, this is evidenced by an estimated value of 1,045 greater than other indicators. So that wherever possible the management of the Regional Drinking Water Company (PDAM) pays more attention to the Promotion factor (Y1.8).

The computational results shown in Table 7 show that the goodness of fit indices criteria submitted as a condition of a model's fit are all met and declared fit. Thus, the proposed model is the final model of the Organizational Commitment and this model will be used in the next analysis. For details, computational results on the criteria of goodness of fit indices can be seen in Table 7 below

**Table 7**  
Computational Criteria Goodness of Fit Indices Testing Organizational Commitment

Criteria	Cut-off Value	Computational Results	Description
Chi-Square	Small expected	0.338	Fit
Rel.Chi-Square	□ 2.00	0.338	Fit
Sig. Probability	replication 0.05	0.561	Fit
RMSEA	□ 0.08	0.000	Fit
Cfi	replication 0.90	1.000	Fit
TLI	replication 0.90	1.003	Fit

Models that have qualified goodness of fit above are then evaluated to see if the indicators used together can describe or explain a factor (latent variable). The higher the loading factor value, the better to describe latent variables. The computational results of the indicators of Organizational Commitment are shown in Table 8 below.

Table 8.  
Results of Analysis Validity and Reliability of Organizational Commitment

			<i>L<sub>f</sub></i>	S.E.	C.r.	Q	Label
y21	<---	y1	1.000				
y22	<---	y1	0.733	0.041	18.107	0.000	par_1
y23	<---	y1	1.000				

Based on Table 5.48 it appears that the loading factor value of each indicator is more than 0.40. This indicates that the three indicators that make up the Organizational Commitment construct are all declared valid with an adequate level of internal consistency. Likewise, the reliability level, this construct has a significant regression weight because (cronbach alpha) > 0.70 or 1.022 > 0.70. The results of this affirmative test also provide the interpretation that of the three indicators used in measuring Organizational Commitment, respondents responded to the Affective indicator (Y2.1) and the Continuity indicator (Y2.2) as the dominant indicators of great concern by employees, this is evidenced by an estimated value of 1,000 greater than other indicators. So that wherever possible the management of the Regional Drinking Water Company (PDAM) pays more attention to the Affective indicator (Y2.1) and the Continuity indicator (Y2.2).

The computational results shown in Table 9 show that the goodness of fit indices criteria submitted as a condition of a model's fit are all met and declared fit. Thus, the proposed model is the final model of employee performance and this model will be used in the next analysis. For details, computational results on the criteria of goodness of fit indices can be seen in Table 9 below.

Table.9  
Computational Criteria Goodness of Fit Indices Employee Performance Testing

Criteria	Cut-off Value	Computational Results	Description
Chi-Square	Small expected	1.174	Fit
Rel.Chi-Square	□ 2.00	1.174	Fit

Sig. Probability	replication 0.05	0.279	Fit
RMSEA	□ 0.08	0.030	Fit
Cfi	replication 0.90	1.000	Fit
TLI	replication 0.90	0.997	Fit

Models that have qualified goodness of fit above are then evaluated to see if the indicators used together can describe or explain a factor (latent variable). The higher the loading factor value, the better to describe latent variables. The computational results of the indicators of Employee Performance are shown in Table 10 below.

Table 10

			<i>Lf</i>	S.E.	C.r.	Q	Label
y31	<---	y3	1.000				
y32	<---	y3	0.506	0.052	9.670	0.000	par_1
y33	<---	y3	0.851	0.079	10.747	0.000	par_2
y34	<---	y3	0.994	0.066	15.146	0.000	par_3
y35	<---	y3	0.553	0.031	17.617	0.000	par_4

Based on Table 10 it appears that the loading factor value of each indicator is more than 0.40. This indicates that the five indicators that make up the employee performance construct are all declared valid with an adequate level of internal consistency. Likewise, the reliability level, this construct has a significant regression weight because (cronbach alpha) > 0.70 or 1.022 > 0.70. The results of this affirmative test also provide the interpretation that of the five indicators used in measuring employee performance, respondents responded to Reliability (Y3.1) namely the ability to provide promised services immediately and satisfactorily, which includes punctuality and proficiency in responding to customer complaints and the provision of services in a reasonable and accurate manner as the dominant indicator is very attentive to employees, this is evidenced by an estimated value of 1,000 greater than other indicators. So that wherever possible the Regional Drinking Water Company (PDAM) pays more attention to the reliability factor (Y3.1)

Based on the results of structural equation modelling analysis that has met the criteria of goodness of fit, then conducted a test of the significance of functional relationships between variables as in the appendix. To facilitate in analyzing the functional relationship between variables then the coefficient values are arranged in the form of Table 5.51 as shown in Table 11 below:

Table 11  
Direct Relationship Between Variables

Variable Affect		Bound variable	Estimation	T Value	Prob
<b>Organizational culture(X1)</b>	1	Job satisfaction(Y1)	0.355	42.094	0.000
	2	Organizational commitment (Y2)	0.371	9.505	0.000
	3	Employee performance (Y3)	0.859	5.813	0.000
<b>Compensation(X2)</b>	1	Job satisfaction(Y1)	0.331	47.243	0.000
	2	Organizational commitment (Y2)	0.401	11.367	0.000
	3	Employee performance (Y3)	0.989	7.273	0.000
<b>Leadership(X3)</b>	1	Job satisfaction(Y1)	0.205	24.787	0.000
	2	Organizational commitment (Y2)	0.208	5.778	0.000
	3	Employee performance (Y3)	0.988	10.440	0.000
<b>Job satisfaction(Y1)</b>	1	Employee performance (Y3)	1.450	3.359	0.000
<b>Organizational commitment(Y2)</b>	1	Employee performance (Y3)	0.348	24.874	0.000

In the following, the results will discuss and present the influence of each observed variable supported by previous theories and research. The explanation will present the dominant indicator of its influence in the formation of the variable in question.

### 1. The Influence of Organizational Culture on Employee Performance

The results of the analysis showed that the culture of the organization has a significant and positive influence on employee performance. In addition, the culture of the organization also affects the performance of employees through variable intervening job satisfaction. Organizational culture is a shared value and belief that serves as a guideline for thinking and acting all members in achieving goals, as well as solving problems of external adaptation and internal integration (Deal Kennedy, 1982 and Miller, 1987:205. Senge,1990& Hofstede, 1991;20 Schein,1992:291) (Eoh,2001:82). The cultural values of the organization include: 1). Adaptive values, focusing on innovation and productivity, which characterize flexibility and relate to external adaptability; 2). Integrative values, based on obedience and human virtue, which characterize self-control and relate to the power of internal integration. The essence of organizational culture is the way we do things in the organization.

Statistically descriptive analysis shows that the organizational culture (X1) to employee performance (Y3) amounted to 0.355 with a t value of 42,094 at a significance level of 0.000. The coefficient shows that the organizational culture variable (X1) positively affects employee performance (Y3). This means that the improvement of organizational culture (X1), will be followed by improved employee performance (Y3); on the contrary, a decrease in organizational culture (X1), will be followed by a decrease in employee performance (Y3), assuming other factors that affect the small performance of employees (Y3) are considered constant. Statistical value t calculate the influence of organizational culture (X1) on employee performance (Y3) of 42,094 with significance of 0.000 or below 0.05. This means that organizational culture (X1) has a significant impact on employee performance (Y3).

With these results means that, employees within the scope of the Regional Drinking Water Company (PDAM) Parepare Kapet Region mostly work with a commitment to achieve the objectives of the organization that has been carefully set. Based on track analysis, the organization's cultural influence on job satisfaction and employee performance is the smallest of the three exogenous variables. Nevertheless, the cultural influence of the organization is positive and significant. This means that any organizational culture is strengthened, particularly regarding the commitment to work seriously to achieve set goals and confidence. This is in line with experts' opinions on the organization's cultural relationship with job satisfaction and employee performance. Chatman Research Jennifer and Bersade (1997:61), sampled 102 service companies in America. The findings related to organizational culture are: (1). A strong organizational culture helps the performance of business organizations because it creates an extraordinary level in employees; (2). A strong organizational culture helps the performance of the organization because it provides the structure and control needed without having to rely on a rigid formal bureaucracy and that can suppress the growth of motivation and innovation. Chatman Jennifer and Bersade's research (1997) is also in line with Abdul Rashid's research et.al (2003:52) which also showed the positive impact of corporate culture on employee performance.

### 2. Effect of Compensation on employee performance

The results of the analysis showed that compensation had a significant and positive impact on employee performance. In addition, the compensation also affects the performance of employees variable intervening job satisfaction. compensation is a shared value and belief that serves as a guideline for thinking and acting of all members in achieving the goal, According to Dessler (1998:45) There are two compensations, namely direct financial payments in the form of wages, salaries, incentives, commissions and bonuses and non-direct payments in the form of financial benefits such as insurance and vacation money. In Dessler's view (1998: 41), there are two main ways to base financial payments on employees, namely based on time and performance. Statistically descriptive analysis showed that the coefficient of effect of compensation variable (X2) on employee performance (Y3) was 0.331 with a t value of 47,243 at a significance level of 0.002. The coefficient indicates that the Compensation variable (X2) positively affects employee performance (Y3). This means that an increase in Compensation (X2), will be followed by an improvement in employee performance (Y3); in contrast, the decrease in Compensation (X2), will be followed by a decrease in employee performance (Y3), assuming other factors that affect the small performance of employees (Y3) are considered constant.

The results of this study are in line with the research of Setyo Riyanto (2002), "The effect of Employee Commitment and Compensation on the power and value of services that structurai Equation Modelling (SEM) is an integrated approach between factor analysis, tructural models and path analysis. Results: e. In the courier service industry, especially in Java Island, employee commitment in carrying out daily tasks serving customers is very influential in shaping Satisfaction over Employee Competence, f. Based on the results of the line analysis conducted, Employee competence has a much higher level of influence on the formation of service value in

comparison with employee commitment, Employee compensation has a much greater level of total influence on customer loyalty compared to employee commitment.

### 3. The Influence of Leadership on Organizational Commitment and Employee Performance

The results of the analysis showed that leadership had a significant and positive influence on Karyawan's performance. In addition, the leadership also affects employee performance through intervening variables of organizational commitment. The results are in line with the opinions of some experts. Siagian (1995:3), Thoha (2001) and Robbins (2003) stated that the success or failure experienced by most organizations is determined by the cauldron of leadership inherent in those who occupy positions as leaders in the organization. Stoner and Freeman (1992) further revealed the leadership approach Hersey and Blanchard developed outlining how leaders should adjust their leadership styles, in response to a desire to succeed in their work. Hasibuan (2001:103) explains that the leadership applied by a manager in the organization can create a harmonious integration and encourage the passion of employees' work to achieve maximum goals. A leader is one who uses his authority and leadership, directing subordinates to do their job in achieving organizational goals. Leaders combine the technical, humane, conceptual skills they apply according to the demands of the situation. Therefore, the activities of employees in the organization or company are highly dependent on the style of leadership applied and the environmental situation within the organization or company where they work, the need for direction, attention and motivation from the leader. Leaders need to pay attention to the leadership style they use in encouraging and directing their subordinates so that they can improve their performance even better, so that the quality of products or services produced by employees is also quality. (Amar, 2004:105). If the influence of this leadership style is explored from the results of descriptive analysis, then the data obtained that the results of the analysis in question show, prefer to apply a leadership style oriented to achievement. Do not prioritize the application of leadership style directives.

They encourage employees to realize pre-defined or predetermined work goals. The results of this study are in line with mine sancar research (2009:97), Leadership Behaviors of School Principals in Relation to Teacher Job Satisfaction in North Cyprus. Mine Sancar's findings are that leadership has a significant impact on teacher performance and job satisfaction. On the contrary, this study is different from the research of Ida Ayu Brahmāsari and Agus Suprayitno (2008:78), entitled: The Influence of Work Motivation, Leadership and Organizational Culture on Job Satisfaction and Its Impact on Performance (Case Study on PT. Pei Hai International Wiratama Indonesia). Ida Ayu Brahmāsari and Agus Suprayitno found that leadership had a negative and significant influence on job satisfaction, but had a positive and significant influence on performance. This study found that the leadership style has a significant and positive influence on the performance and job satisfaction of employees. The behavior of leaders or leadership is one of the important factors that can affect job satisfaction. Miller et al. (1991:123). Shows that leadership style has a positive relationship to the job satisfaction of employees. Gruenberg's research (1980:89) found that a close and helpful relationship with colleagues and supervisors is very important and has a strong relationship with job satisfaction and has nothing to do with workplace circumstances and types of work.

## **V. Conclusion**

1. The results of this study found that Organizational Culture directly positively and significantly affects employee performance variables through job satisfaction. This is because the work culture in the Regional Drinking Water Company (PDAM) Parepare Kapet Region has been good poor employee performance is influenced by employee job satisfaction
2. The results of this study found that compensation has a significant positive effect on the performance of employees of the Regional Drinking Water Company (PDAM) Parepare Kapet Region. This is because there is a conformity between compensation given greatly affect the performance of employees.
3. The results of this study found that leadership behaviors that provide role models, communication and participatory will have a meaningful influence on job satisfaction on employee performance.
4. The results of this study also found that leadership variables have an indirect and indirect effect on employee performance through the organization's commitment to improving its performance.
5. The results of this study also found that job satisfaction variables directly affect employee performance, because generally the employees of the Regional Drinking Water Company (PDAM) Parepare Kapet Region with experience and improvement of ability, awards given, completeness of facilities, affect the performance of employees received. Which means that it can be used as a tool to predict employee performance.
6. The results of the study also found that the organizational commitment variable affects the performance of employees by giving the award directly to the performance of employees of the Drinking Water District Company (PDAM) Parepare Kapet Region received.

7. The results of this study found that variable compensation directly affects the job satisfaction of employees of The Drinking Water District Company (PDAM) Parepare Kapet Region because the compensation provided by the company can improve the welfare of PDAM employees received.

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