The Effect of the Structure of an Organization on Project Premier Contractor's Performance, with Rewards, Training and Leadership as Intervening Variables

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ABSTRACT

Nowadays developers are competing to offer the quality product by creating a pleasant environment, secure, good quality of building and location. In one construction stage, when a number of contractors work together oftenled to project delay, quality decreases, and even stop the project in the middle of the construction. This research will focus on the performance of the contractor by the influence of the structure of the organization with rewards, training and leadership as intervening variables. Data analysis was done by using partial least Square-Structural Equation Model (SEM) with sample total of 99 respondents. The result shows that Structure of the Organization (X1), Reward (X2), Training (X3), Leadership (X4) have a significant effect on the constructor's performance (X5) with p-value <0,05. From this research, it was concluded that contractor must pay attention to the project organizational structure, chain of command, a good leadership to become a role model, training for employee skills and reward at work to improve the overall contractors' performance.

Keywords : Organizational Structure, Reward, Training, Leadership, Performance

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INTRODUCTION

With the development of Jakarta supporting areas such as Tangerang, Bekasi, Depok, Serpong and Bogor; the need for a residential area is increasing. That need is related to the construction of residential areas. This is, of course, requires the increasing ability of the contractor as the construction provider or the development of the residential area. So, the competition is felt tougher among contractors. In facing the tough competition, it is necessary to have a clear division of labor, control mechanisms, collaboration, and coordination that are set to achieve corporate objectives and to win the competition with other competitors. It is the parts that form the structure of the organization in the form of command hierarchy and visualized in the shape of an organizational chart. The structure of an organization also shows the function, section, position, people who show the position, duties, powers, and responsibilities that are different in an organization.Several studies to look for an organization structure that encourages or inhibits the employee's performance have been widely performed (Simamora, 2013). For a dynamic environment, it tends to use an organic structure that is more flexible in facing the changes and better suited to drive the performance compared with the mechanistic structure that is generally used in a stable environment (Walker, 2012).

PT Premier Indonesia was originally founded by the Les Nouveaux Constructeurs Company from France, which is a well-known developer that has developed various projects with high-quality construction and design, including Paris, Berlin, Los Angeles, Madrid, Barcelona and other European cities. Since 1998, Premier Indonesia implements a mix of project management and quality control in European standards with the creation of design from Indonesia and pay full attention to every detail of the building.

The structure of the organization should be linked to the environment where the organization is / operated, as said above that one of the indicators of the organic structure is the degree of centralization in decision-making. When given the freedom and responsibility for decision-making then the new ideas will be born. This structure of organization when combined with participative leadership style, understood strategy and culture are a prescription in driving organizational innovation. This structure can affect performance because there is a decentralization of decision making. According to Lawrence and Lorsch (1967) that different structures is necessary for every department, when the environment is unpredictable then for the operation department or production needs mechanistic structure, while the marketing department required an organic structure. This research objective is to evaluate the performance of the contractor influenced by the structure of the organization with rewards, training and leadership as intervening variables. This study was designed to answer the following research questions, namely:

- Does the structure of the organization directly affect the performance of the contractor?
- Does the structure of the organization directly affect the Reward?
- Does the structure of the organization directly affect the leadership?
- Does the structure of the organization directly affect the training?

- Does the structure of the organization have an indirect effect on the performance of the contractor with the reward as an intervening variable?

- Does the structure of the organization have an indirect effect on the performance of the contractor with the leadership as an intervening variable?

- Does the structure of the organization have an indirect effect on the performance of the contractor with the training as an intervening variable?

This paper is organized as follows : Section 2 reviews the literature; Section 3 lays out the methodology; Section 4 contains a discussion of the empirical findings; and Section 5 provides conclusions and recommendations.

LITERATURE REVIEW

Employee's Performance

Effective organization according to Mullins (2010) is: Organizations must also be effective in doing right and their output is related to some the specific purpose, objective or task.

Employee's performance is a result achieved by the worker in his work according to certain criteria that is applied for a particular job. Robbin and Barnwell (2012) states that the employee's performance is a function of the interaction between ability and motivation.
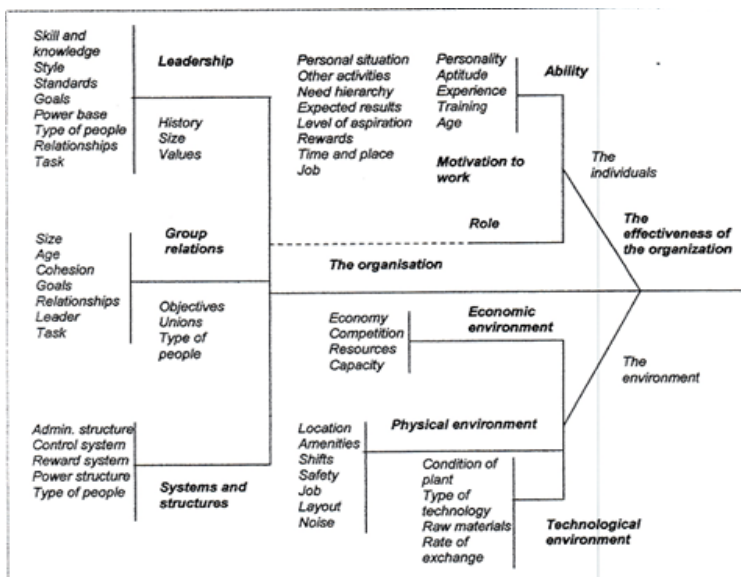
Spain: Mateu-Cromo, Artes Graficas, 2010.

Figure 1 Source: Management and Organizational Behavior.

Simamora (2009) states that the purpose of goal-setting is to set targets that are useful not only for performance evaluation at the end of the period but also to manage the work process during the period.

Gibson (2009) states that the performance of the employee is a success of a person in carrying out a job. Performance is the result of an employee's work during the certain period. The success of the employee's work is influenced by the level of performance from the employees whether it individually or in a group. According to Bernardin and Russel (2000), there are six criteria used to measure the performance of employees individually, which are the quality, quantity, timeliness, effectiveness, independence and work commitments.

Structure of Organization

The structure of an organization is a tool to assist management in achieving its goals. The structure of an organization can have a great influence on its members. The influence of the organizationstructure on the satisfaction and performance of employee leads to a very clear conclusion. The structure of organization describes how the work will be divided, grouped and coordinated formally.

Reward

According to Ivancevich (2013), "reward is an attempt to foster a feeling of received (recognized) in the work environment, which touches the aspects of compensation and aspects of a relationship between workers". Manager evaluates individual performance either formally or informally. According to Matteson in Koencoro, reward is divided into two types namely extrinsic rewards and intrinsic reward.

The extrinsic reward is an award that comes from the outside of a person. Extrinsic rewards consist of financial compensation which are salary, allowance, bonus / incentive and non-financial rewards which are interpersonal rewards and promotions. Intrinsic rewards (intrinsic rewards) is an award arranged by oneself consisting of completion, achievement, and autonomy.

Leadership

Leadership is the backbone of the development of an organization because without the good leadership it will be difficult to achieve organizational goals. If a leader tries to influence the behavior of others, then that person needs to think about his leadership style (Simamora, 2013).

Style of leadership is how a leader perform the functions of leadership and how it can be seen by those who he tried to lead, or people who may observe him from the outside (Robert, 1992). James say that the style of leadership is a variety of behavior patterns preferred by a leader in the process of directing and affecting the workers. Style of leadership is behavior and strategy, as a result of a combination of philosophy, skills, personality traits and attitudes which are often applied by a leader when he tried to affect the performance of his subordinates (Tampubolon, 2007).

Training

Training is a means of motivation that encourage employees to work at an optimal performance which is intended to improve the performance of the employee. Provision of training is designed to meet the employment standards that have been set by the company. Training can be interpreted as a deliberate attempt to facilitate learning about the work related to the knowledge, skills and behavior by employees.According to Mathis (2010: 301), "Training is a process where people reach a certain ability to help achieve the goals of the organization". Therefore, the process is tied to the various objectives of the organization; training can be seen narrowly or broadly. Limitedly, training provides employees with specific knowledge and can be known as well as skills that can be used in their current job. The theoretical model in this study is as follows;
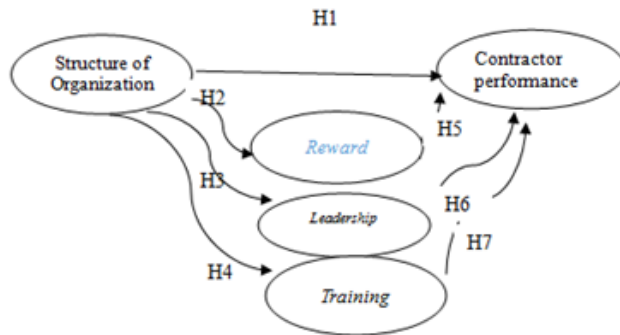

Figure 2 Research Model

Based on the formulation above, thehypothesis can be arranged as follows:

1. It was alleged that the structure of the organization has a direct positive effect on the Premier project contractor performance.

2. It was alleged that the structure of organization has a direct positive effecton the reward

3. It was alleged that the structure of the organization has a direct positive effect on the leadership.

4. It was alleged that the structure of the organization has a direct positive effect on the training.

5. It was alleged that the structure of organization has an indirect positive effect on the Premier project contractor performance through reward.

6. It was alleged that the structure of organization has an indirect positive effect on the Premier project contractor performance through through leadership.

7. It was alleged that the structure of the organization has an indirect positive effect on the Premier project contractor performance through training.

RESEARCH METHOD

The research method used is descriptive qualitative with the sequential equational model on the variable of organizational structure, reward, leadership and training to the variable of a performance of the contractor. The population in this study isthe employees of the contractors of PT Premier Tangerang, Bekasi and East Jakarta.

Confirmatory Factor Analysis

The model used in this study is a model of causality or influence and relationships. Analysis tool used in processing the data to test the hypothesis is by using SEM (Structural Equation Model) which is operated by AMOS (Analysis of Moment Structures) program. This study used two kinds of analysis techniques, namely:

1. The Confirmatory Factor Analysis, which is used to confirmatory the mostdominant factors in the formation of a group of variables.

2. Regression Weight in SEM is used to examine how much the variables of the structure of the organization, reward, leadership, training, and employee performance affect each other.

ANALYSIS RESULT AND DISCUSSION

Below is presented an overview of research data obtained from the answers of respondents, the data processing process and analysis of the data processing result as follows:

Table 1 Respondents' Feedback Regarding the Structure of an Organization

No	Indicator	Respondents' Feedback					
		Low		Moderate		High	
		Σ	%	Σ	%	Σ	%
1	Depart mentation	3	3,03%	9	9,09%	87	87,88%
2	Division of work	6	6,06%	16	16,16%	77	77,78%
3	Delegation	4	4,04%	22	22,22%	73	73,74%
4	Responsibility	5	5,05%	14	14,14%	80	80,81%
5	Distribution of Information	2	2,02%	62	12,12%	85	85,86%

Source: Processed primary data

Most respondents gave responses that there was a high categorized assessment on the structure of an organization. This respondents' feedback indicate that the structure of an organization is optimal in running the conducive structure of the organization in the contractor of PT. Premier, where the relationship between employees and the company is made conducive with the division of authority, a delegation of authority and a clear distribution according to the level of the organizational structure of contractor of PT. Premier.

Table 2 Description of Reward Variable

No	Indicator	Respondents' Feedback					
		Low		Moderate		High	
		Σ	%	Σ	%	Σ	%
1	Salary	16	16.16%	39	39.39%	44	44.44%
2	Incentive	5	5.05%	13	13.13%	81	81.82%
3	Promotion	8	8.08%	17	17.17%	74	74.75%
4	Achievement	13	13.13%	15	15.15%	71	71.72%
5	Personal motivation	7	7.07%	16	16.16%	76	76.77%

Source: Processed primary data

Respondents' feedbacks indicate that most of the respondents give a response there is a high category assessment to reward. The results indicate that rewards given are in accordance with the wishes of contractor employees of PT Premier, where extrinsic and intrinsic variable of reward according to the services that the employees give to the company.

Table 3 Description of Leadership Variable

No	Indicator	Respondents' Feedback					
		Low		Moderate		High	
		Σ	%	Σ	%	Σ	%
1	Coaching	3	3.03%	15	15.15%	81	81.82%
2	Decision-making	14	14.14%	28	28.28%	57	57.58%
3	Motivation	41	41.41%	31	31.31%	27	27.27%
4	Support	12	12.12%	22	22.22%	65	65.66%
5	Communication	8	8.08%	18	18.18%	73	73.74%

Source: Processed primary data

Respondents' feedbacks indicated that employees are not satisfied with the leadership that gives motivation to the employees and satisfied with the coaching indicator, decision-making, the provision of support and communication between superiors and subordinates.

Table 4 Respondents' Feedback About Training

No	Indicator	Respondents' Feedback					
		Low		Moderate		High	
		Σ	%	Σ	%	Σ	%
1	Reaction	8	8.08%	18	18.18%	73	73.74%
2	Satisfaction	7	7.07%	13	13.13%	79	79.80%
3	Impact	7	7.07%	15	15.15%	77	77.78%
4	Application	5	5.05%	15	15.15%	79	79.80%
5	Dissemination	4	4.04%	13	13.13%	82	82.83%

Source: Processed primary data

Respondents' feedbacks indicate that most respondents give a response that there is a high category assessment of the training. Respondents' feedbackindicates that employees of the contractor of the PT Premier are satisfied with the training, so it can have an impact on their ability to work in the company.

Table 5 Description of Employee's Performance Variable

No	Indicator	Respondents' Feedback					
		Low		Moderate		High	
		Σ	%	Σ	%	Σ	%
1	Quality	1	1.01%	8	8.08%	90	90.91%
2	Quantity	2	2.02%	11	11.11%	86	86.87%
3	Attitude	1	1.01%	8	8.08%	90	90.91%
4	Opportunity	1	1.01%	4	4.04%	94	94.95%
5	Punctuality	6	6.06%	16	16.16%	77	77.78%

Source: Processed primary data

Respondents' feedbacks indicate that most respondents give a response that there is a high category assessment of the employee's performance.

Confirmatory Factor Analysis of the Model

1. **Structure of the Organization**

   Model Feasibility Test

   Chi-square = 26.653

   Degrees of freedom = 5

   RMSEA= 0.273

   GFI=0.938
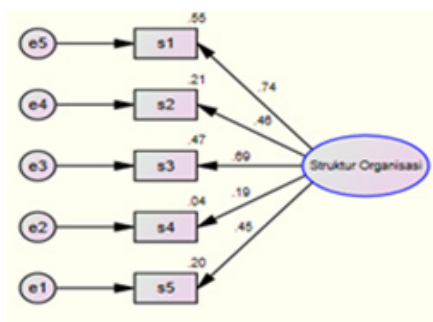
   AGFI=0.937

   TLI=0.997

   CFI=0.998

Figure 3 Confirmatory – Structure of the Organization

Based on the results in Figure 3 above, it is indicated that the model of the structure of the organization has a proper goodness of fit so that the model can be accepted.

2. Leadership

Model Feasibility Test

Chi Square = 15.849

df = 5

Prob = .007

RMSEA = .171

Chi square /df = 1.045
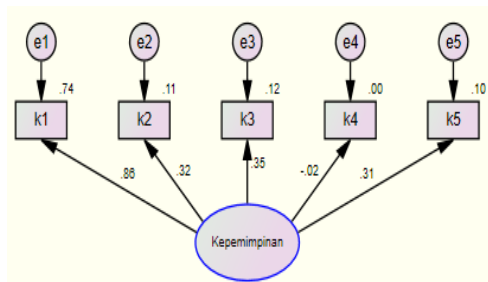
GFI = .957

AGFI = .937

TLI= .979 CFI = .985

Figure 4 Confirmatory – Leadership

Based on Figure 4 above, it is indicated that the model of leadership style has a proper goodness of fit so that the model can be accepted.

3. Reward

Model Feasibility Test

Chi Square = 27.282df = 5

Prob = .006

RMSEA = .173

Chi square / df = 5.456

GFI = .938

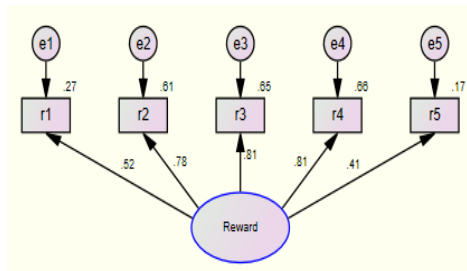AGFI = .915

TLI= .965

CFI = .951

Figure 5 Confirmatory - Reward

Based on Figure 5 above, it is indicated that the model of reward has a proper goodness of fit so that the model can be accepted.

4. Training

Model Feasibility Test

Chi Square = 15.375df = 5

Prob = .09

RMSEA = .118

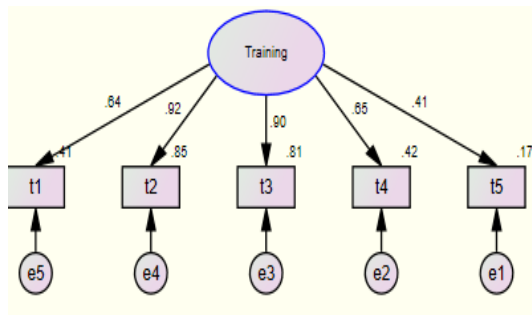Chi square / df = 3.075

GFI = .956

AGFI = .920

TLI= .940CFI = .970

Figure 6 Confirmatory – Training

Based on Figure 6 above, it is indicated that the model of training has a proper goodness of fit so that the model can be accepted.

5. Employee Performance

Model Feasibility Test

Chi-square = 34.123

Degrees of freedom = 5
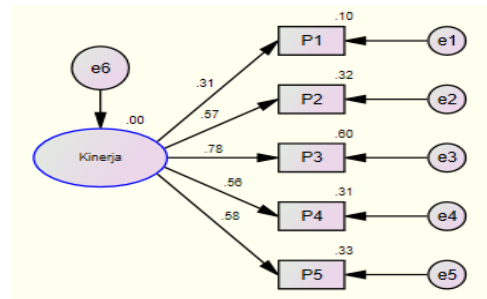
RMSEA= 0.198

GFI=0.921

AGFI=0.905

Figure 7 Confirmatory – Employee's Performance

Based on Figure 7 above, it is indicated that the model of employee performance has a proper goodness of fit so that the model can be accepted.

Analysis of Structural Equation Modelling (SEM)

The next analysis is the analysis of Structural Equation Model (SEM) in a full model after an analysis of the level of the unidimensionality of the forming indicators of latent variables that were tested with confirmatory factor analysis. Analysis of the result of data processing at the stage of full model of SEM is conducted by doing the test of goodness of fit and statistical tests with the results of Figure 8.
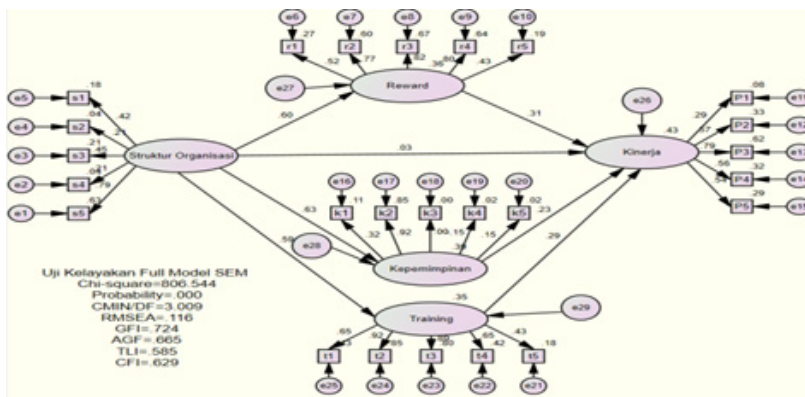

Figure 8 The test result of Structural Equation Model (SEM)

This result indicates that the model used is acceptable, which shows a good structural equation model. Measurement index TLI, CFI, CMIN / DF and RMSEA are within the expected range values despite GFI and AGFI are marginally acceptable. Thus, the test of goodness of fit model of SEM already meets the entry requirements.Below is the summary of Path Coefficient (ρ), the Direct and Indirect Effect between Research Variables:

Table 6 Summary of Path Coefficient Value (P)

Variable Effect (ρ)	Direct	Indirect	Total
X1 to X5	$\rho_{14} = 0.06$		0.06
X1 to X2	$\rho_{12} = 0.60$		0.60
X1 to X3	$\rho_{13} = 0.60$		0.60
X1 to X4	$\rho_{14} = 0.59$		0.59
X1 to X5		Through X2: $\rho_{12}* \rho_{25} = 0.18$	0.18
X1 to X5		Through X3: $\rho_{13}* \rho_{35} = 0.12$	0.12
X1 to X5		Through X4: $\rho_{14}*\rho_{45} = 0.17$	0.17

Source: Researchers' SEM

Table 7 Hypothesis Test

Hypothesis	Estimate	S.E.	C.R.	P
H_1	.462	.105	4.406	**
H_2	.320	.082	3.920	**
H_3	.294	.174	1695	.090
H_4	.019	.062	.302	.763
H_5	.112	.058	1.949	0.051*
H_6	.152	.085	1.800	.072*
H_7	.121	.101	1.188	.2355

Source: Researchers' SEM

H_1. Estimation parameter for the testing the structure of organization on the performance shows the value of CR amounted to 4.406 and with a probability of 0.000. Both values obtained are qualified for admission of H2, which is CR value is greater than 1.96, and the probability is less than 0.05. Thus, it can be concluded that the dimensions of organizational structure will influence significantly to performance.

H_2. Estimation parameter for the testing the structure of organization effect on reward shows that the CR value is amounted to 3.920 and with a probability of 0.005. Both values obtained are qualified for admission of H4, which is a probability that is smaller than 0.05. Thus, it can be concluded that the dimensions of the structure of the organization will influence significantly to reward.

H_3. Estimation parameter for the testing the structure of organization effect on the leadership shows the CR value amounted to 1,695 and with a probability of 0.090. Both values obtained are qualified to reject H3, which is the CR value that is smaller than 1.96 and probability is less than 0.05. Thus, it can be concluded that the dimensions of the structure of organization do not influence leadership.

H₄. Estimation parameter for testing the structure effect on the training shows the CR value amounted to 0.302 and the probability of 0.763. Both values obtained are qualified for admission of H5, which is the CR value that is smaller than 1.96, and the probability is smaller than 0.1. Thus, it can be concluded that the dimensions of structure do not affect the training.

H₅. Estimation parameter for testing the effect of reward on employee performance showed the value of CR amounted to 1949 and with a probability of 0.051. Both values obtained are qualified for the admission of H6, which is the CR value that is smaller than 1.94, and the probability is smaller than 0.1. Thus, it can be concluded that the dimensions of reward have the significant influence on employee performance

H₆. Estimation parameter for testing the leadership influence on employee's performance showed the value of CR amounted to 1.800 and with the probability of 0.072. Both values obtained are qualified for admission of H7, which is the CR value that is larger and the probability that is smaller than 0.1. Thus, it can be concluded that the dimensions of leadership will affect with the small significance of the performance of employees

H₇. Estimation parameter for testing the effect of training on employee's performance showed the value of CR amounted to 1.188 and the probability of 2.355. Both values obtained are qualified for admission of H1, which is the CR value that is greater than 1.96 and the probability that is larger than 0.05. Thus, it can be concluded that the dimensions of training do not affect significantly towards employee's performance.

CONCLUSION AND RECOMMENDATION

Conclusion

The structure of the organization has a positive effect on employee's performance and reward. While the structure of organization does not affect the leadership. This is in contrast to the research by Yukl and Gery (2009) which shows that the structure of the organization is able to improve leadership.

The structure of organization does not have a positive effect on training. This is in contrast to the research by Susan (2003) which shows that the structure of the organization is able to improve the training.

Reward as an intervening variable positively affects the performance. The hypothesis testing conducted has proved that there is a linear effect between rewards and performance, in agreement with research by Andi and Budi (2009). Leadership as an intervening variable positively affects the employee performance. The hypothesis testing conducted has proved that there is a linear effect between leadership and the employee's performance. This result supports the research done by Schein (2002) which states that the employee's performance is influenced by leadership. Training as an intervening variable does not have a positive influence on the employee's performance. The hypothesis testing conducted has proved that there is no linear effect between training and employee's performance.

Performance model is affected by the structure of the organization, this is in line with Reward and Leadership as in (Lund, 2011). The structure of the organization, Reward, and

Leadership has a positive influence and positive impact on the employee's performance. The goodness of test result using Structural Equation Model (SEM), shows in agreement with development of Organizational Effectiveness theory by Mullins (2010).

Implication

The research result of the effect of the structure of an organization is reinforced by rewards, leadership, and training to contractor performance. Therefore, Premier project should consider this finding to improve their project performance.

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