

The Effect of Democratic Leadership on Employee Performance: Do Organizational Citizenship Behavior (OCB) and Job Satisfaction Play a Mediating Role?

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ABSTRACT

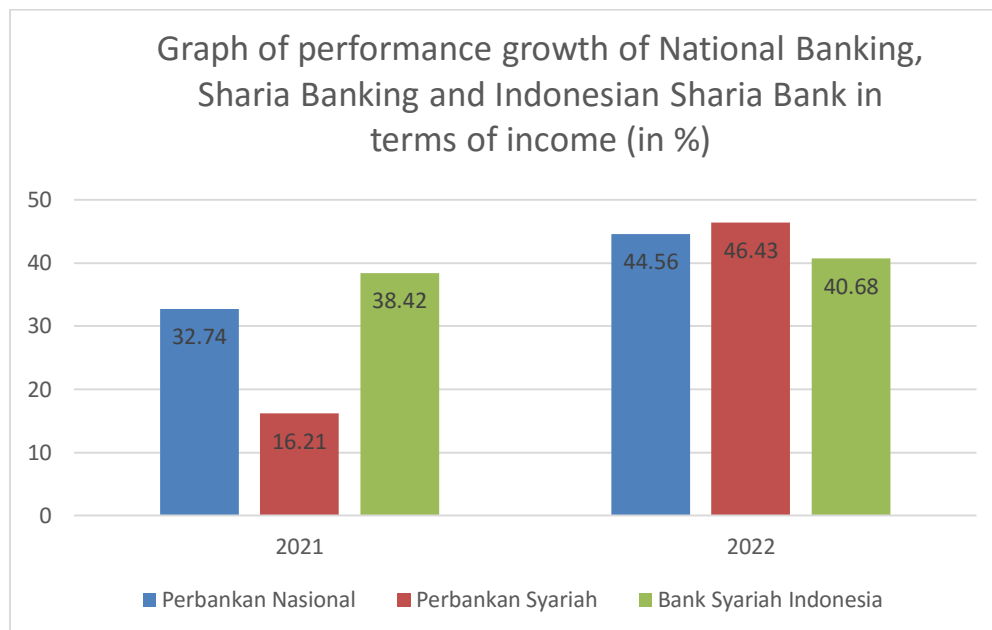
This study analyzes the direct and indirect effects of democratic leadership on employee performance, mediated by organizational citizenship behavior (OCB) and job satisfaction. The population of this study included 18,581 employees of Bank Sharia Indonesia (BSI). The Slovin formula was used as the sampling technique, resulting in a sample of 100 respondents. In this study, partial least square (PLS) was used for data analysis using Smart-PLS version 4.0 software. Research results show that: (1) Democratic leadership has a positive and significant influence on employee performance; (2) Democratic leadership has a positive and significant influence on organizational citizenship behavior (OCB); (3) Democratic leadership has a positive and significant influence on job satisfaction; (4) Organizational citizenship behavior (OCB) has a positive and significant influence on employee performance; (5) Job satisfaction does not affect employee performance; (6) Organizational citizenship behavior (OCB) can mediate the relationship between democratic leadership and employee performance; while (7) job satisfaction cannot mediate the relationship between democratic leadership and employee performance.

KEYWORDS – Democratic leadership, employee performance, Organizational Citizenship Behavior (OCB), job satisfaction.

1. INTRODUCTION

Employees play a strategic role in the sustainability of the organization (Endah Rahayu & Nur, 2018). The existence of human resources is very vital in it. In fact, without human resources, an organization will not run. This shows how important the existence of human resources is in an organization to achieve the organization's vision, mission, and goals. Therefore, human resources are one of the factors causing the success of an organization (Gunawan Lialisa et al. 2018). In advanced organizations, the quality of the human resources within them is of great concern (Pahrul et al. 2021). This is following business organizations that prioritize maximum profits which will always require human resources that are more competent and have good performance, including Bank Sharia Indonesia (BSI).

PT Bank Sharia Indonesia Tbk was established on February 1, 2021, as a form of corporate merger of PT Bank BRI Sharia, PT Bank Mandiri Sharia, and PT Bank BNI Sharia. Bank BSI was established to enable it to offer the three advantages of these banks in one bank. That is Bank Syariah Indonesia (BSI). This has proven to be effective considering BSI Bank's improved year-over-year performance. Below is the graph of BSI Bank's performance in 2021-2022:

Figure 1. Comparison of Indonesian Banking Performance Growth

Source: BSI Annual Report 2022

Based on the graph above, Bank BSI experienced an increase in income from 2021 to 2022. However, in 2022 it appears that Bank BSI's income will lag quite far behind that of national banking and sharia banking. In fact, if you look at 2021, BSI Bank has the highest income compared to national banking and sharia banking. This shows that even though it has experienced an increase in annual income, Bank BSI is still inferior compared to its two competitors. One way that BSI Bank can increase its income quickly is by improving the performance of its employees.

According to Hasibuan (2006), employee performance is a work or the result of the workload that has been given to them which is based on knowledge, experience, perseverance, and the time that has been sacrificed. Employee performance is likened to the spearhead of the company, many companies implement certain methods to boost the performance of their employees (Utami & Putra, 2021). The higher the employee's performance, the higher the productivity generated for the company. One of the things related to efforts to improve employee performance is leadership (Tri Santi Octavia Olla et al. 2017). According to Robbins & Coutler (2012) in Guntur & Hotland (2017) leadership styles consist of three types: autocratic leadership, laissez-faire leadership, and democratic leadership. According to Woods (2004) in Rosiana & Lenny (2018), democratic leadership is a type of leadership that involves employees in completing tasks using job delegation which has previously been carried out by joint deliberation. According to Agus Eko (2018), the democratic leadership style is the leadership style with the most potential to achieve company success. This will also have an impact on employee job satisfaction factors within the company.

An employee tends to feel more satisfied if the results of their work are directly proportional to the efforts they have made (Natalia et al. 2021). In this context, appreciation from a superior for the performance of his employees plays an important role in motivation. This will increase the productivity of an employee's performance and make them reconsider whether they want to resign from the company (Ni Kade & I Putu, 2021). Apart from that, job satisfaction will also be related to the behavior of employees or organizational citizens. According to Khan & Yuniawan (2019), the actions of employees who implement OCB in their work are not limited to the duties and job roles that have been explained in their work contracts but are voluntary attitudes carried out as a form of loyalty to the company. Podsakoff, et al. (2000) explained that because OCB is not directly related to the organization's or company's formal reward system, OCB is considered capable of improving organizational performance as effectively and efficiently as possible.

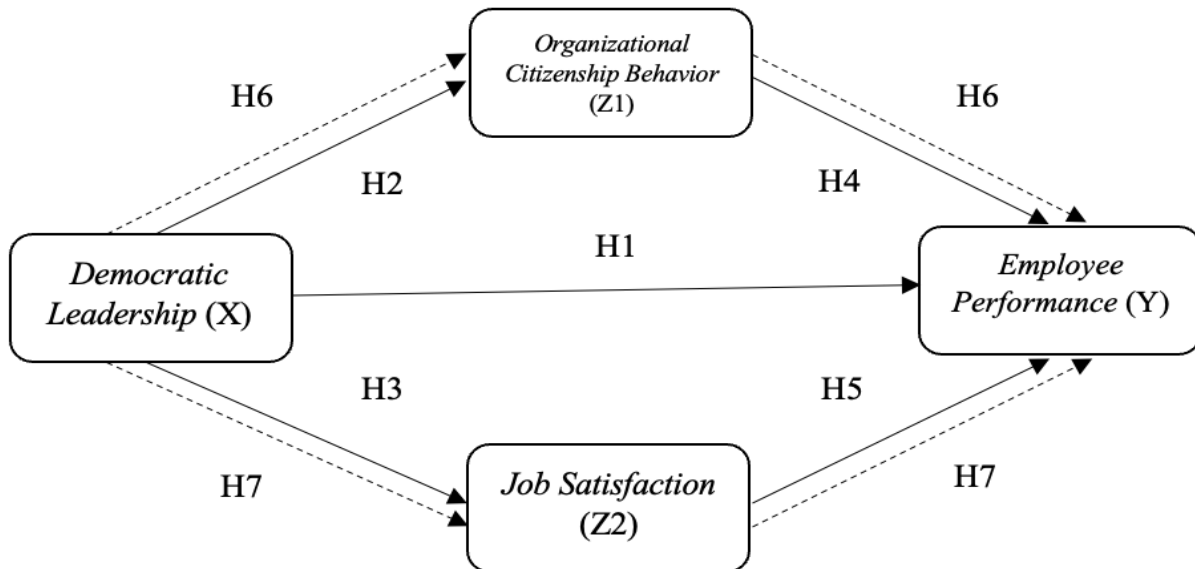
Several studies that discuss the effect of democratic leadership on employee performance, namely research conducted by (Natalia & Lenny, 2018; Sulastri et al., 2019; Utami Puji et al., 2021; Bobby & Sri, 2023; and Elizabeth, 2023) stated Employee performance is influenced by democratic leadership positively and significantly.

However, this differs from the study of Sela (2019) which found that democratic leadership does not affect employee performance. Research that discusses democratic leadership on OCB by Ahmed Zakaria et al. (2020) explain that democratic leadership has a significant impact on OCB. This is different from research conducted by Pahrul et al. (2021) state that democratic leadership does not have a significant impact on OCB. Research discussing democratic leadership on job satisfaction was conducted by Ni Kade & I Putu (2021) who stated that democratic leadership affects job satisfaction. That research is consistent with research by Sri Yana & Abdul (2021) which explains that the higher the democratic leadership carried out by the leadership, the more employee job satisfaction will increase. Research discussing OCB on employee performance was conducted by (Endah & Nur, 2018; Delima et al., 2020; and Melvin & Devi, 2023) explaining that OCB affects employee performance. However, this is different from the results of research conducted by Ricky (2020) which states that OCB does not affect employee performance. Furthermore, research discussing job satisfaction on employee performance conducted by (Irfan, 2019; Natalia et al., 2021; and Joather & Wafaa, 2022) stated that job satisfaction has significant impact on employee performance. However, the finding of research by Zulkifli et al. (2021) is different, that research result explain that job satisfaction does not have a significant influence on employee performance. Based on the inconsistency of previous research results and existing phenomena, the researcher feels that this research is necessary and interesting to carry out to find out more about democratic leadership on employee performance mediated by OCB and job satisfaction.

2. RESEARCH METHOD

This study uses a quantitative approach using explanatory research methods. The population used is the employees of Bank Sharia Indonesia (BSI). The sampling method for this study used the Slovin method, resulting in 100 respondents. Furthermore, the data collection technique uses questionnaires distributed to the employees of Bank Sharia Indonesia (BSI) through questionnaires and Google Forms. This study uses a measurement scale in the form of a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The data analysis technique used partial least squares (PLS) using Smart PLS software version 4.0.

Figure 2. Hypothesis Model



3. DATA ANALYSIS

3.1 Characteristics Respondents

Table 1. Distribution of Respondents by Gender

No.	Gender	Frequency	Percentage
1.	Male	28	28%
2.	Female	72	72%
	Total	100	100%

Source: Data Processed, 2023

Based on the table above, total of male respondents was 28 people (28%), while total of female respondents was 72 people (72%). So, it can be concluded that the majority of the samples used in this study were female.

Table 2. Distribution of Respondents by Region

No.	Region	Frequency	Percentage
1.	Malang	49	49%
2.	Pasuruan	32	32%
3.	Surabaya	10	10%
4.	Madiun	3	3%
5.	Batu	3	3%
6.	Probolinggo	2	2%
7.	Mojokerto	1	1%
	Total	100	100%

Source: Data Processed, 2023

Based on the data in table 2, Malang City is the region with the highest number of respondents, namely 49 people (49%), then Pasuruan with 32 people (32%), then Surabaya with 10 people (10%), then Madiun and Batu with 3 each. people (3%), Probolinggo 2 people (2%), and finally Mojokerto with 1 person (1%).

3.2 Validity and Reliability Test

Table 3. Cross Loading

Item	Democratic Leadership	Employee Performance	Organizational Citizenship Behavior	Job Satisfaction
X1	0.732	0.547	0.560	0.558
X2	0.732	0.533	0.549	0.500
X3	0.727	0.678	0.554	0.621
X4	0.722	0.540	0.458	0.582
X5	0.715	0.475	0.560	0.552
X6	0.729	0.582	0.573	0.547
X7	0.739	0.536	0.591	0.563
X8	0.733	0.652	0.462	0.458
Y1	0.548	0.730	0.514	0.524
Y2	0.615	0.748	0.511	0.592
Y3	0.636	0.748	0.570	0.516
Y4	0.625	0.759	0.547	0.548
Y5	0.530	0.739	0.582	0.459
Y6	0.563	0.702	0.495	0.473
Y7	0.606	0.805	0.473	0.509
Y8	0.496	0.761	0.425	0.455
Y9	0.629	0.812	0.538	0.620
Y10	0.541	0.729	0.539	0.574
Y12	0.629	0.715	0.570	0.587
Z1.1	0.590	0.564	0.760	0.569
Z1.2	0.551	0.570	0.757	0.571
Z1.3	0.483	0.437	0.731	0.537
Z1.4	0.475	0.459	0.713	0.517
Z1.5	0.573	0.545	0.757	0.510
Z1.6	0.457	0.412	0.719	0.488
Z1.7	0.585	0.588	0.754	0.567
Z1.8	0.622	0.558	0.776	0.614
Z1.9	0.501	0.441	0.726	0.482
Z1.10	0.613	0.577	0.736	0.582
Z2.1	0.471	0.425	0.546	0.776
Z2.2	0.554	0.599	0.602	0.722
Z2.3	0.626	0.567	0.564	0.753
Z2.4	0.559	0.519	0.526	0.782

Z2.5	0.533	0.479	0.553	0.754
Z2.6	0.455	0.435	0.567	0.728
Z2.7	0.632	0.567	0.600	0.753
Z2.8	0.614	0.660	0.574	0.757
Z2.9	0.489	0.468	0.486	0.767
Z2.10	0.666	0.577	0.512	0.752

Source: Data Processed, 2023

In the validity test, we can conclude that all variables are valid since the cross-loading scores of all variables are greater than 0.7.

Table 4. Composite Reliability and Cronbach’s Alpha

Variable	Cronbach’ Alpha	Composite Reliability	Description
Democratic Leadership	0.874	0.875	Reliable
Employee Performance	0.922	0.923	Reliable
OCB	0.916	0.919	Reliable
Job Satisfaction	0.910	0.913	Reliable

Source: Data Processed, 2023

Testing the reliability in Table 4, we can conclude that all variables are reliable as the composite reliability score of all variables is greater than 0.7.

3.3 Structural Model Analysis

Table 5. Hypothesis Analysis

Hypothesis	Path	Path Coefficient	t-statistics	p-value	Description
H1	DL → EP	0.483	4.548	0.000	Accepted
H2	DL → OCB	0.740	10.161	0.000	Accepted
H3	DL → JS	0.754	8.301	0.000	Accepted
H4	OCB → EP	0.188	2.015	0.044	Accepted
H5	JS → EP	0.211	1.874	0.061	Rejected
H6	DL → OCB → EP	0.139	1.985	0.047	Accepted
H7	DL → JS → EP	0.159	1.792	0.073	Rejected

Source: Data Processed, 2023

Note: Democratic Leadership (DL); Employee Performance (EP); Organizational Citizenship Behavior (OCB); Job Satisfaction (JS)

Table 5 shows the results of the hypothesis tests for direct effect and indirect effect. The hypothesis is accepted if it has a t-statistic value > 1.96 and a p-value < 0.05. Based on the table above H1-H4 is accepted, but H5 is rejected. In testing the indirect effect, H6 has a t-statistic value of 1.985 > 1.96 and a p-value of 0.047 which means it is significant. Meanwhile, H7 has a t-statistic value of 1.792 < 1.96 and a p-value of 0.073, which means it is not significant. Thus, H6 is accepted and H7 is rejected.

4. DISCUSSION

The research findings show that democratic leadership has a positive and significant influence on employee performance with a path coefficient value of 0.483 in a positive direction, a t-statistic value of 4.548 > 1.96, and a p-value of 0.000 < 0.05. Thus, these results support H1 and support previous research by (Natalia & Lenny, 2018; Sulastri et al., 2019; Utami Puji et al., 2021; Bobby & Sri, 2023; and Elizabeth, 2023). Furthermore, democratic leadership significantly affect Organizational Citizenship Behavior (OCB) with a path coefficient value of 0.740 with a positive direction, a t-statistic value of 10.161 > 1.96, and a p-value of 0.000 < 0.05. Thus, these results support H2 and support previous research by Ahmed Zakaria et al. (2020), that democratic leadership significantly influences Organizational Citizenship Behavior (OCB). Next, Democratic leadership has a positive and significant influence on job satisfaction with a path coefficient value of 0.754 with a positive direction, a t-statistic value of 8.301 > 1.96, and a p-value of 0.000 < 0.05. Thus, these results support H3 and support previous research by (Ni Kade & I Putu, 2021; Sri Yana & Abdul, 2021), which state that the higher the level of democratic leadership, the greater the increase in employee job satisfaction.

Based on the results of the analysis, there is a positive and significant relationship between organizational citizenship behavior (OCB) and employee performance. The path coefficient value is 0.188 in a positive direction, the t-statistic value is $1.985 > 1.96$, and the p-value is $0.047 < 0.05$. Thus, H4 is accepted and the results of this research support previous research by (Endah & Nur, 2018; Delima et al., 2020; and Melvin & Devi, 2023). This means that the higher the level of OCB an employee has, the more the employee's performance will improve. Then, job satisfaction does not affect employee performance. The path coefficient value is 0.211 in a positive direction, the t-statistic value is $1.874 < 1.96$, and the p-value is $0.061 > 0.05$. Thus, H5 is rejected and the results of this research support previous research by Zulkifli et al. (2021). This means that employees' low or high level of job satisfaction has not been able to improve employee performance.

In testing the indirect influence hypothesis, democratic leadership influences employee performance mediated by OCB. The resulting path coefficient value is 0.139 with a positive direction, the t-statistic value is $1.985 > 1.96$ and the p-value is $0.047 < 0.05$. So, H6 is accepted. This means that OCB can mediate the relationship between democratic leadership and employee performance. next, democratic leadership influences employee performance mediated by job satisfaction. The resulting path coefficient value is 0.159 with a positive direction, the t-statistic value is $1.792 < 1.96$ and the p-value is $0.073 < 0.05$. thus, H7 is rejected. The results of this research support research conducted by Tomy & Hazmanan (2018) which states that job satisfaction is unable to mediate the relationship between democratic leadership and employee performance.

5. CONCLUSION

This research generally contributes to the development of human resource management science, and specifically this research concludes that employee performance can be influenced by democratic leadership. Moreover, democratic leadership can also influence job satisfaction and Organizational Citizenship Behavior (OCB). Employees' organizational citizenship behavior (OCB) can influence employee performance, but employee job satisfaction does not affect employee performance. The results of this research also provide an illustration that Organizational Citizenship Behavior (OCB) is able to play a role as a mediating variable between democratic leadership and employee performance, while job satisfaction is not able to. The implications of this research for PT Bank Sharia Indonesia Tbk are that it can maintain and improve democratic leadership and OCB, so that it can improve employee performance which has an effect on corporate performance. Furthermore, this study has limitation, its focuses on employees of Bank Sharia Indonesia (BSI), so that cannot describe the influence of democratic leadership on employee performance in other banking industries. Future researchers are expected to add work life balance variables to the research model so that better and more complex results are obtained.

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