

## Effect of Leadership on the Job Satisfaction with Organizational Commitment and Trust in Leader as Mediators

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### ABSTRACT

The Objectives of this study are to test: (1) whether leadership affects organizational commitment; (2) whether organizational commitment affects employee's job satisfaction, (3) whether leadership affects trust, (4) whether trust affects job satisfaction, (5) whether trust mediates the effect of leadership on job satisfaction, (6) whether organizational commitment mediates the effect of leadership on job satisfaction, and (7) whether leadership has an effect on job satisfaction. The objects in this study were all (190) the employees of the limited liability company of PT. Ambassador Garmino. Census sampling technique was employed to determine its samples. The data and hypotheses of the research were analyzed by using the Structural Equation Modelling (SEM). The results of the research are as follows: (1) leadership affects employee's organizational commitment (2) organizational commitment affects employee's job satisfaction; (3) leadership affects trust in leader; (4) the trust in leader affects employee's job satisfaction; (5) the trust in leader mediates the effect of leadership on employee's job satisfaction, (6) organizational commitment mediates the effect of leadership on employee's job satisfaction; (7) leadership has an effect on the employee's job satisfaction at the limited liability company of PT Ambassador Garmino. This paper contributes to the literature by providing an analysis of the mediating effects of organizational commitment and trust in leader on job satisfaction.

Keywords: Leadership, job satisfaction, organizational commitment, trust in leader

### 1. INTRODUCTION

Every organization consists of individuals, and the management functions to direct and control the individuals. Organization is a social unit, which is coordinated consciously. It consists of more than two persons, and functions on a relatively continuous basis to achieve a set of common goals. (Robbins, 2008: 5)

A leadership is viewed as an important determinant and plays an important role. A leadership is a management function, which is directed to human and social interactions, as well as the process of persuading people so that they will achieve the organization's goals. As the group leader, one has to encourage the members of the organization to act while giving an encouragement to achieve the goal.

Organizational Commitment has been defined differently by different scholars, depending on each background. They defined organizational commitment as a relative strength on the identification of individuals and their involvement in the organization. According to the definition, there are three organizational commitment components, namely: (1) a strong belief on the organization goal and value (identification); (2) willingness to use the possible effort to be loyal to the organization (involvement); (3) and the intention or strong desire to stay in the organization (loyalty) (Mowday, et.al in Yousef, 2000).

Job Satisfaction is a behavior formed by individuals in relation to their works (Pool, 2007). Job Satisfaction is an important behavior which can be used to assess the whole contributions of employees in the organization and the intention to leave the organization. If the organization is able to measure the factors that affect the job satisfaction, it will be able to strengthen the employees' morale and to provide the positive outcome for their organization.

What draws our attention to conduct this research is the findings in the previous researches, which are inconsistent, namely: the insignificant results in the aforementioned variables. The research conducted by Lok (2004) showed that leadership has a negative effect on the job satisfaction and according to Savery in Lok (2004) stated that there is not any correlation between organizational commitment and leader behavior, and according to Hampton in Lok (2004) there is not any positive correlation between leadership and job satisfaction.

The limited liability company of PT. Ambassador Garmino is a company which runs a garment business. It is located in Cemani Sukoharjo, Indonesia. It produces clothes for Barbie doll. Job satisfaction can be seen from how the leader of this organization treats the employees and the leadership style. The effect of the leadership in this organization is studied through the organizational commitment and the trust in leader.

## **2. THEORY AND HYPOTHESES DEVELOPMENT**

### **2.1. Leadership**

Transformational leadership has been defined in terms of articulating a compelling vision for followers, behaving self-sacrificially, intellectually stimulating followers, and providing them with individualized consideration (Bartram, 2007).

Yiing (2009) defined leadership as a correlation of effects among leaders and followers who intend real changes and outcomes that reflect their shared purposes. Over the course of time, a number of dimensions or facets of leadership behavior have been developed and applied as researchers continue to discover what contributes to leadership success and failure. These include, among others, autocratic versus democratic, task-oriented versus people-oriented, and the contingency approaches.

Moorthy (2014) found that leaders have to show a degree of personal accountability and incorporate moral aspects such as honesty into their leadership style.

Leadership prevalently exists within people and organizations. Simply speaking, leadership has the capability of affecting others. Bohn and Grafton presumed that leadership means the way to create a clear vision, filling their subordinates with self-confidence, created through coordination and communication to detail (Mc.Dermott, 2011).

## 2.2. Job Satisfaction

For several decades, numerous studies have attempted to classify and determine the factors influencing job satisfaction. The literature on determinants of job satisfaction can be divided into two camps: the content perspective which approaches job satisfaction from the perspective of needs fulfillment, and the process perspective which emphasizes the cognitive process leading to job satisfaction (Abdulla, 2011).

Employee's job satisfaction is an attitude that people have about their jobs and the organizations in which they perform these jobs. Methodologically, we can define job satisfaction as an employee's affective reaction to a job, based on a comparison between actual outcomes and desired outcomes (Rad, 2006).

Locke and Lathan give a comprehensive definition of job satisfaction as pleasurable or positive emotional state resulting from the appraisal of one's job or job experience (Tella, 2007). Job satisfaction is a result of employee's perception of how well their job provides those things that are viewed as important. According to Mitchell and Lasan, it is generally recognized in the organizational behavior field that job satisfaction is the most important and frequently studied attitude. Meanwhile, Luthan posited that there are three important dimensions to job satisfaction (Tella, 2007):

- Job satisfaction is an emotional response to a job situation. As such it cannot be seen, but inferred.
- Job satisfaction is often determined by how well outcome meets or exceeds expectations. For instance, if organization participants feel that they are working much harder than others in the department but are receiving fewer rewards they will probably have negative attitudes toward the work, the boss and/or the co-workers. On the other hand, if they feel they are being treated very well and are being paid equitably, they are likely to have positive attitudes toward the job.
- Job satisfaction represents several related attitudes which are most important characteristics of a job about which people have effective response.

Hoppock indicates that job satisfaction means the mental, physical and environmental satisfaction of employees, and the extent of job satisfaction can be known by inquiring employees about the job satisfaction extents (Chang, 2007). The academic definitions of job satisfaction can be divided into three types (Chang, 2007) namely: (1) Integral definition: This definition emphasizes workers' job attitudes toward environment with focal attention on the mental change for individual job satisfaction of employees; (2) Differential definition: It emphasizes job satisfaction and the difference between the actually deserved reward and the expected reward from employees; the larger difference means the lower; and (3) Reference structure theory: It emphasizes the fact that the objective characteristics of organizations or jobs are the important factors to influence employees' working attitudes and behaviors, but are the subjective sensibility and explanation of working employees about these objective characteristics; the said sensibility and explanation are also affected by self-reference structures of individual employees.

## 2.3. Organizational Commitment

Organizational commitment is the extent to which an individual identifies and is involved with his or her organization and/or is willing to leave it. Organizational commitment deals with the attitudes of the people toward their company (Malhotra, 2004).

Organizational commitment has been described as consisting of two constructs – affective and continuance (Feinstein, 2008). As defined by Mowday, Porter, and Steers, affective organizational commitment is “a strong belief in and acceptance of the organization’s goals and values; a willingness to exert considerable effort on behalf of the organization; and a strong desire to maintain membership in the organization.” The counterpart to affective organizational commitment is continuance organizational commitment, which considers the idea that individuals do not leave a company for fear of losing their benefits, taking a pay cut, and not being able to find another job (Feinstein, 2008).

More recently, Allen and Meyer, conceptualized a multidimensional organizational commitment measure and proposed a three-component model of organizational commitment comprising (Malhotra, 2004): (1) Affective commitment: this refers to the employee’s emotional attachment to, identification with, and involvement in the organization; (2) Normative commitment: this refers to the employee’s feelings of obligation to stay with the organization; and (3) Continuance commitment: this refers to the commitment based on the costs that the employee associates with leaving the organization.

#### **2.4. Trust in Leader**

In this study, we adopted Atkinson and Butcher’s conceptualization of trust in the context of trust development in managerial relationships, and specifically focused on trust in one’s direct leader as opposed to trust in organization (Sendjaya, 2010). Trust in leader is typically defined as the willingness of a subordinate to be vulnerable to the behaviors and actions of his or her leader, which are beyond the subordinate’s control, whereas trust in organization is the general perception of employees on the organization’s trustworthiness (Sendjaya, 2010).

When trusting a supervisor, the employees feel vulnerable because the supervisor has substantial influence over resource allocation and thus is in a position to make decisions that have a considerable impact on the supervisor, subordinates, and peers of the subordinates. For instance, subordinates must rely on their supervisor for work assignments, performance evaluations, and opportunities for promotion (Knoll, 2011).

Trust is viewed as part of a reciprocal relationship between employer and employees (Crawshaw, 2010). Social identity theory authors such as Tyler and Degoey argued that trust might also provide individuals with identity-relevant information (Crawshaw, 2010). In other words, being shown trust by one’s colleagues and/or employer is important because it provides you with information about your standing within the organization.

Impersonal trust is based on roles, systems and reputation, whereas interpersonal trust is based on interpersonal interaction between individuals within a particular relationship (Vanhala, 2011). It is said that efficiency in organizations is possible only when interdependent actors work together effectively in a climate of positive trust. In addition, trust increases the efficiency and effectiveness of communication (Vanhala, 2011).

#### **2.4. Development of Hypotheses**

Transformational leadership has been defined in terms of articulating a compelling vision for followers, behaving self-sacrificially, intellectually stimulating followers, and providing them with individualized consideration (Bartram, 2007). The prior research has shown that there was a positive relationship between leadership behavior and organizational commitment (Yousef, 2000). Thus, someone can argue that leadership behavior will direct the variation of organizational commitment level. So, this research develop the first hypothesis :

H1 : Leadership affects the organizational commitment

Some researchers have admitted that organizational commitment is an antecedent to job satisfaction (Abuga, 2010). This research argued that manager who has a high organizational commitment to the firm will produce a higher job satisfaction. They will strive to achieve the goal and their organization interests. We therefore argue that organizational commitment affects job satisfaction :

H2 : organizational commitment has an influence on job satisfaction

Leadership is consistently related to trust in leader (Bartram, 2007). Leadership facilitated the development of trust in leader for many reasons: determining of the leader's commitment on vision (e.g. self-sacrificing), the high leader's self-confidence will rise the subordinate's trust because they believe that their leader can do the role of the leader well and make a right decisions, support and form the shared value so the follower identify themselves and admire their leader. We therefore argue that leadership affects trust in leader:

H3: leadership has an influence on trust in leader

High levels of satisfaction and performance arguably require trust in the leader. Merely enacting leadership behaviors does not guarantee that followers will be satisfied or that they will be motivated to perform. Followers need to trust the leader in order to feel positively about the leader and to exert extra effort to perform effectively. If followers believe the leader is not genuinely concerned about their welfare, lacks integrity, or is incompetent, they will be unlikely to trust the leader and consequently they will be dissatisfied with the leader and not motivated to cooperate fully with the leader thereby adversely affecting their performance (Bartram, 2007). Trust in the leader has been shown to be an important mediating (or intervening) variable with respect to the relationship between transformational leadership and various outcomes such as organizational citizenship behavior, performance and satisfaction with the leader (Bartram, 2007). Based on the above discussion, the following hypothesis is proposed:

H4: Trust in leader has an influence on job satisfaction

H5: The effects of transformational leadership on job satisfaction will be mediated by trust in the leader.

Organizational Commitment mediates the effect of leadership on job satisfaction (Yousef, 2000). The employees who work in a good leadership, he/she will be loyal to their firm and their job satisfaction will be higher too. Based on the above prior studies result, the following hypothesis is proposed:

H6: The effects of transformational leadership on job satisfaction will be mediated by organizational commitment.

Leadership style can be defined as a set of managerial behavior, attitude, characteristics and skill that based on organizational and individual value, leadership interest and employee dependence on different situation (Rad, 2006).

Among determinants of job satisfaction, leadership is viewed as an important predictor and plays a central role. Leadership is a management function, which is mostly directed towards people and social interaction, as well as the process of influencing people so that they will achieve the goals of the organization (Rad, 2006). Many studies carried out in several countries showed that there is a positive correlation between leadership and the job satisfaction. By applying the right leadership style, manager can influence the employee job satisfaction, commitment, and their productivity. Based on the above prior studies result, the following hypothesis is proposed:

H7: leadership has an effect on job satisfaction

### 3. RESEARCH METHOD

The objects in this study were all the employees of the limited liability company of PT. Ambassador Garmino as many as 190. Census sampling technique based on the rules of thumb was employed to determine its samples. The data of research and the proposed hypotheses were analyzed and tested by using Structural Equation Modeling (SEM). SEM is a technique that combines aspects of multivariate regression and factor analysis, to estimate a series of correlations simultaneously. It used a goodness fit of index and critical path analysis.

### 4. RESULT

The result of hypothesis test analysis can be shown from regression weight table. Table 1 shows the critical ratio (CR) of the correlation of of each variable.

Table 1:  
Regression Weight of Research Model

Regression weight	estimation	C.R	P	H	Hasil
commitment (Y1) ← leadership (X)	0.168*	2.031	0.042	H1	Significant and positive
satisfaction (Y3) ← commitment (Y1)	0.121*	1.985	0.048	H2	Significant and positive
trust (Y2) ← leadership (X)	0.130*	2.103	0.035	H3	Significant and positive
satisfaction (Y3) ← trust (Y2)	0.226*	2.931	0.023	H4	Significant and positive
satisfaction (Y3) ← leadership (X)	0.114*	1.978	0.049	H7	Significant and positive

\*) The significance value of  $\alpha = 5\%$  (1.96), Source: processed primary data

The table shows that leadership has a significantly positive effect on organizational commitment. The value of CR is 2.031 ( $>1.96$ ), or H1 is verified. Organizational commitment has a significantly positive effect on job satisfaction, the value of CR is 1.985 ( $>1.96$ ), or H2 is verified. Leadership has a significantly positive effect on organizational commitment. The value of CR is 2.031 ( $>1.96$ ), or H1 is verified. Leadership has a significantly positive effect on trust in leader. The value of CR is 2.103 ( $>1.96$ ), or H3 is verified. Trust in leader has a significantly positive effect on job

satisfaction. The value of CR is 2.931 ( $>1.96$ ), or H4 is verified. Leadership has a significantly positive effect on job satisfaction. The value of CR is 1.978 ( $>1.96$ ), or H7 is verified.

The tests of Direct, indirect, and total effects were conducted to examine the strength of the effect from each variable. The results of the tests are presented in the following table.

Table 2:  
Direct, Indirect, and Total Effect

Variables		Effect ( $\beta$ )		
Independent	Dependent	Direct	Indirect	Total
Leadership(X)	commitment (Y1)	0.155	-	0.155
	Trust (Y2)	0.194	-	0.194
	Satisfaction (Y3)	0.116	0.051	0.167
Commitment(Y1)	Satisfaction (Y3)	0.125	-	0.125
Trust (Y2)	Satisfaction (Y3)	0.181	-	0.181

Source: processed primary data

The above table shows that the direct effect of leadership on job satisfaction is 0.116. The trust in leader and the organizational commitment mediate the effect of leadership on job satisfaction with the score of 0.051. The total effect of leadership on job satisfaction is 1.167. Thus, the trust in leader and the organizational commitment mediate the effect of leadership on job satisfaction (H5 and H6 are verified).

The results of hypothesis testing and path analysis by using AMOS 7.0 are presented in the following table:

Table 3:  
The Results of Hypothesis Testing

Code	Hypotheses	Result	Estimation	conclusion
H1	Leadership has an effect organizational commitment	Significant and positive	0.155*	Verified
H2	organizational commitment has an effect on job satisfaction	Significant and positive	0.125*	Verified
H3	leadership has an effect on trust in leader	Significant and positive	0.194*	Verified
H4	Trust in leader has an effect on job satisfaction	Significant and positive	0.181*	Verified
H5	The effect of transformational leadership on job satisfaction is mediated by trust in leader.	Significant and positive	0.167*	Verified
H6	The effect of transformational leadership on job satisfaction is mediated by organizational commitment.	Significant and positive	0.167*	Verified
H7	leadership has an effect on job satisfaction	Significant and positive	0.116*	Verified

\*) The significance value of  $\alpha = 5\%$  (1.96), Source: processed primary data

Based on Table 3, all of the proposed hypotheses are verified in this research.

## 5. CONCLUSION, IMPLICATION, LIMITATION AND SUGGESTION

### 5.1. Conclusion and Implication

Based on the results of analysis and discussion, we can conclude that leadership affects employees' organizational commitment; organizational commitment affects employees' job satisfaction; leadership affects trust in leader; the trust in leader affects employees' job satisfaction; the trust in leader mediates the effect of leadership on employees' job satisfaction; organizational commitment mediates the effect of leadership on employees' job satisfaction; and leadership has an effect on the employees' job satisfaction of the limited liability company of PT Ambassador Garmindo.

### 5.2. Limitation

This research has a limitation. It involves the variables which seem to have been developed in many studies. Therefore, the next similar studies should involve other variables such as empowerment, work motivation, and organizational culture.

### 5.3. Suggestion

Based on the result of the study, we offer the following suggestions: In order to increase the employees' loyalty, the leaders should set a rule which benefits the employees. Then, the leaders are expected to be closer to the employees so that they can share their feelings to their leader. Finally, the leaders should involve the employees to participate in decision-making or goal-setting so that the employees will feel that they belong to the organization.

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