

DOI: <https://doi.org/10.31933/dijemss.v5i4>Received: March 25th 2024, Revised: March 27th 2024, Publish: April 1st 2024<https://creativecommons.org/licenses/by/4.0/>

Determinants of Corporate Performance in One of Indonesia's Foreign Banks

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Abstract: This research aims to assess the impact of organizational learning and leadership style on corporate performance (CP), with organizational culture acting as a moderator. The study was carried out at an Indonesian bank that is owned by the South Korean government. Therefore, this research will examine the impact of South Korean business culture, which is unfamiliar territory. This study employs a quantitative methodology. The findings of this study demonstrate that organizational learning significantly impacts business performance. Moreover, the leadership style also has an impact on the overall functioning of the company. Similar outcomes are also demonstrated in the case of organizational culture, which has an impact on corporate performance. Organizational culture plays a role in influencing organizational learning and corporate performance. Organizational culture does not have a moderating effect on the relationship between leadership style and business performance, as evidenced by many findings.

Keyword: Corporate Performance, Organizational Learning, Organizational Culture, Leadership Style

INTRODUCTION

According to the Central Statistics Agency's 2020 population census figures, Indonesia has a population of 270,203,917 individuals. This figure serves as an indicator of the market's high level of receptiveness to investors from different countries, including South Korea. This nation, situated in the Asian region, has a remarkable track record of economic success, and is compelled to further expand its business operations to other countries to maximize the utilization of funds accumulated within its borders. Hence, to do this, it is imperative for partner nations to collaborate. In September 2021, there are five banks in Indonesia that have share ownership originating from South Korea. These banks include Bank KB Kookmin Indonesia, Bank Shinhan Indonesia, Bank Woori Saudara Indonesia, Bank KEB Hana, and Bank IBK. South Korea demonstrates a significant focus on Indonesia as an attractive investment destination, particularly in the financial and banking sectors. Naturally, this necessitates the backing of ideal firm performance to maintain competitiveness.

Previous research have highlighted that corporate success is influenced by multiple predictor variables. Gomes et al. (2022) shown that organizational learning has a significant impact on firm performance. This demonstrates that the process of organizational learning, encompassing the acquisition of resources and skills, engagement with the external environment, decision-making, and the generation of novel ideas pertaining to products and services, will significantly influence business expansion (Alegre & Chiva, 2008; Altinay et al., 2016; Gomes et al., 2021). The study conducted in Indonesia's financial services sector involved administering questionnaires to top management and found that learning organizations are either unaffected or not supported (Yuliansyah et al., 2021).

According to Tulcanaza-Prieto et al. (2021), the culture of an organization has an impact on the performance of the company. This also demonstrates that the efficacy of firm performance can be enhanced through cultural attributes that inspire employees at all levels. An effective organizational culture may foster cooperation and facilitate the exchange of knowledge, experiences, and ideas. An inclusive culture that encourages the active involvement of all team members in the creative process can enhance organizational participation, leading to the cultivation of employee creativity and innovation (Prima Lita et al., 2020). The organizational culture in this instance either facilitates or exerts an impact on innovation. A recent study conducted in Palestine examined the impact of organizational culture on innovation culture within a banking institution and its workers (Mai et al., 2022).

However, according to Puni & Bosco (2016), the leadership style of a corporation has an impact on its performance. There is a direct correlation between leadership style and corporate performance, with leadership style having a favorable impact on company performance. According to Aboramadan et al. (2020), innovative firms have a competitive edge in offering new products and services, accelerating work processes to meet market demands, and seizing opportunities compared to non-innovative organizations. The research conducted on banking services businesses in Indonesia focused on senior management as respondents. The findings indicate that innovation plays a significant role in enhancing the performance of these organizations' banking business (Yuliansyah et al., 2021).

The description above highlights that there are still variations in how predictor variables for corporate success are expressed, indicating the need for further research. Furthermore, it is important to do a thorough examination and experimentation of the factors that influence the success of a company to effectively use them inside the banking industry. The purpose of this research is to analyze the factors that influence the performance of a foreign bank in Indonesia.

METHOD

The study methodology employed is hypothesis testing, specifically focusing on testing hypotheses that provide a broad explanation for the characteristics of correlations or differences between groups, as well as the independence of several components in a given context (Sekaran & Bougie, 2020). This research is quantitative, focusing on the frequency of a variable and using numerical data to represent its quantity (Morrisson, 2015). This test employs a causal hypothesis, which entails examining the extent to which one variable exerts impact on other variables. The necessary research data sources include primary and secondary sources. The primary data source was acquired using a questionnaire, whilst the secondary data source was gathered by a thorough examination of existing literature. The study employed a measurement method using a 5-point Likert scale, where 1 represents strong disagreement and 5 represents strong agreement. The Likert scale is employed to assess the attitudes, views, and perceptions of an individual or a collective about social phenomena.

The research use organizational learning as the independent variable. The measurement of the organizational learning variable will be conducted using a set of 7 items as proposed by Marsick and Watkins (2003). Four factors are used to measure organizational culture (Afandi,

2018). The variable of leadership style is assessed by the utilization of seven indicators, as outlined by Ohemeng et al. (2018). The corporate performance variable is assessed utilizing four indicators, as stated by Husnah et al. (2023). The sample determination was conducted using nonprobability sampling and purposive sampling approaches. A total of 176 executive officers were identified and included in the study, comprising 21 division heads and 155 individuals who held positions as branch leaders and sub-branch leaders. Out of the total number of samples, researchers utilized 109 samples. To ensure impartiality in the study, this research will exclude division chiefs who are expats from South Korea. Therefore, only local division heads and Indonesian nationals will be included as respondents for the divisions.

RESULTS AND DISCUSSION

According to the statistics in Table 1, there were a total of 109 respondents. Among them, 79 were male (72.48%) and 30 were female (27.52%). The survey had a total of 109 responses, with 71 individuals (65%) falling within the age range of 27-42 years, and 38 individuals (35%) falling within the age range of 43-58 years. Regarding this composition, it can be stated that the executive officers in this organization are individuals who are currently in the prime of their productivity. The study revealed that individuals who had occupied important roles, particularly as division heads, were the ones who had accumulated more than 15 years of work experience. This is deemed appropriate as it represents the pinnacle of advancement that may be attained by employees who are dedicated to building a career within this organization. The position, situated just one level below the Board of Directors, undoubtedly necessitates both experience and expertise. Subsequently, a significant proportion of individuals, amounting to 48 (44.04%), engage in a work period lasting 10-15 years. This is followed by a smaller proportion of 20 individuals (18.35%) who work for 5-10 years. Lastly, the smallest percentage is occupied by individuals with a work time of less than 5 years.

The survey collected data on the distribution of business unit offices owned by respondents at the time they answered the questionnaire. The island of Java has the largest distribution percentage, with Central Java accounting for 26 (23.58%), West Java for 25 (22.94%), DKI Jakarta for 18 (16.51%), and Banten for 9 (8.26%). The remaining individuals are distributed in limited quantities across Bali, accounting for 5 individuals (4.59%); followed by Sumatra with 4 individuals (3.67%); and lastly, Sulawesi with 2 individuals (1.83%). Sulawesi is a recently established location where this organization has ventured to broaden its commercial operations and offer services to the local community, with a special focus on Makassar. Occupational roles of the participants in this study. Out of the total responders, 13% are division heads, 22% are branch leaders, and 65% are sub-branch leaders. Like the organizational structure of non-startup organizations, the hierarchy is typically pyramid-shaped, with a decrease in the number or size of positions as you move further up.

Table 1. Respondent Profile

Profile	Frequency	%
Gender		
Female	79	72.48%
Male	30	27.52%
Age		
27-42	71	65%
43-58	38	35%
How long have you worked for this company? (years)		
≤ 5	11	10%
5-10	20	18.35%
10-15	48	44.04%
>15	30	27.52%
Place of Employment		

Sumatera	4	3.67%
Banten	9	8.26%
DKI Jakarta	18	16.51%
Jawa Barat	25	22.94%
Jawa Tengah	26	23.58%
Jawa Timur	17	15.60%
DIY	3	2.75%
Bali	5	4.59%
Sulawesi	2	1.83%
Position		
Head of Division	13	13%
Branch Leader	24	22%
Sub-Branch Leader	72	65%

Source: data processed, 2024

Table 2 displays the outcomes of the PLS- algorithm. The convergent validity model employs indicators based on outer loading (OL), with a requirement that the value exceeds 0.7. The model's discriminant validity is enhanced when the average variance extracted (AVE) exceeds 0.50. Discriminant validity testing is employed to determine whether an indicator of a variable will exhibit a higher outer loading on the variable it represents compared to the outer loading on other variables. Variable reliability testing employs composite reliability (CR) and Cronbach's alpha (CA). Any items that fail to match the specified criteria will be deleted. According to the collected data, it can be concluded that all constructions in this research are both reliable and valid.

Table 2. PLS-Algorithm

Variable	Item	OL	AVE	CR	CA
Organizational Learning	OL1	0.896	0.813	0.946	0.923
	OL2	0.908			
	OL4	0.902			
	OL5	0.900			
Leadership Style	LS2	0.887	0.801	0.942	0.917
	LS5	0.915			
	LS6	0.922			
	LS7	0.855			
Organizational Culture	OL1	0.735	0.748	0.922	0.885
	OC1	0.877			
	OC2	0.920			
	OC3	0.914			
Corporate Performance	CP1	0.928	0.853	0.959	0.942
	CP2	0.929			
	CP3	0.930			
	CP4	0.906			

Source: data processed, 2024

The coefficient of determination test in Table 3 was conducted to assess the extent to which the independent factors were able to accurately explain or impact the dependent variable. This test is also determined by the R2 or R square value, which falls within the range of 0 to 1. A coefficient of determination value near to 1 indicates a high level of accuracy in the independent variables' ability to explain the dependent variable.

Table 3. Coefficient of Determination

Variable	R Square
Corporate Performance	0.806

Source: data processed, 2024

Table 3 shows that the R-squared value of the corporate performance (CP) variable is 0.806. Corporate performance (CP) is influenced by organizational learning (OL), leadership style (LS), and organizational culture (OC) to a significant extent, accounting for 80.6% of the variation. The PLS assessment model in the structural model (Figure 1) utilizes path coefficient values for independent variables, which are subsequently evaluated for significance using the T-statistic value of each path.

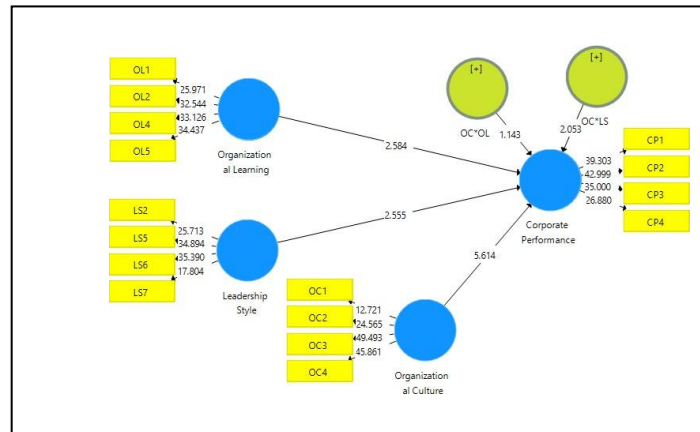


Figure 1. Path Coefficient

Source: data processed, 2024

The t-statistic value between the independent variable and the dependent variable in the Path Coefficient (Table 4) in the SmartPLS output below displays the results of the hypothesis testing for the structural model.

Table 4. Hypothesis Results

Path	T-statistic	P-Value	Remark
Organizational Learning → Corporate Performance	2.584	0.010	H1: accepted
Leadership Style → Corporate Performance	2.555	0.011	H2: accepted
Organizational Culture → Corporate Performance	5.614	0.000	H3: accepted
OC*OL → Corporate Performance	1.143	0.254	H4: rejected
OC*LS → Corporate Performance	2.053	0.041	H5: accepted

Source: data processed, 2024

The hypothesis test study revealed that the organizational learning variable has a significant influence on corporate performance, as indicated by a p-value of 0.004, which is less than the significance level of 0.05. This demonstrates the acceptance of H1 and the good impact of organizational learning on company performance. The value of organizational learning has a one-way impact on corporate performance, meaning that an increase in the quality of organizational learning will result in a corresponding rise in corporate performance. A study conducted by Akhtar et al. (2011) discovered a direct correlation between organizational learning and business performance. In addition, the research results also revealed that company culture acts as a moderator, strengthening this association.

The hypothesis test analysis examining the impact of organizational culture variables on corporate performance yielded a p-value of 0.008, which is less than or equal to the significance level of 0.05. Based on these values, it may be inferred that H2 is supported, and that organizational culture exerts an impact on business performance. Improvements in organizational cultural values have a one-way impact on corporate performance, indicating that

enhancing or raising the quality of organizational culture will result in a corresponding improvement in organizational performance.

An efficient organizational culture will significantly influence personnel with strong motivation, high levels of customer satisfaction, well-defined performance standards, receptiveness to change, innovation, and a distinct company process orientation (Flamholtz & Randle, 2012). In addition, Leithy (2017) posited that there is a correlation between work-related attitudes, work behavior, and organizational performance. Furthermore, it seems that structural equation models can remove the connection between organizational culture and organizational performance.

Culture exerts a pervasive influence on all aspects of an organization, encompassing attitudes towards work, collaboration with colleagues, and future-oriented perspectives. Within a robust organizational culture, business managers have the ability to create a defined system of official regulations and patterns for conducting business (Flamholtz & Randle, 2012). A positive organizational culture promotes business managers to articulate and communicate the company's objectives and principles to employees and other stakeholders within the organization. To conclude, the researcher states that empirical evidence demonstrates a direct correlation between organizational culture and company performance. This implies that a strong culture is consistently associated with superior performance, as it entails the alignment of strategic structure and other supporting organizational resources. This indicates that a robust culture actively involves most individuals of a business by upholding shared values and ideas, which are encouraged by leaders inside the company.

The hypothesis test analysis examined the impact of the organizational learning variable on corporate performance, with organizational culture as a moderator. The obtained p-value of 0.15 was greater than or equal to the significance level of 0.05. Therefore, it can be inferred that the null hypothesis H3 is rejected. Organizational learning, when influenced by organizational culture, does not have a substantial impact on corporate performance. Both organizational culture and knowledge management promote long-term innovation and profitability in firms. The benefits of a corporation are directly linked to the effective application of its knowledge resources, namely the knowledge possessed by the organization and its personnel. Subsequent study asserts that knowledge management is the primary component of organizational learning, akin to the vital fluid that sustains an organization, enabling it to thrive with innovation.

The hypothesis test study found that the leadership style factors had a statistically significant influence on corporate performance, as indicated by a p-value of 0.022, which is less than the significance level of 0.05. Based on these values, it may be inferred that H4 is supported, and that the leadership style has a beneficial impact on corporate performance. Leadership style values have a one-way impact on corporate performance, suggesting that an increase in leadership style will lead to an increase in corporate performance.

Yokota (2020), did study that revealed a correlation between leadership style, organizational culture, and organizational performance. However, Gani (2006) discovered that there was no impact of leadership style on organizational performance.

The research conducted at this company aligns with the definition of leadership styles, which indicates that the subordinates of a leader, in this case the executive officers, are willing to fulfil the leader's directives to accomplish organizational objectives, even if they personally disagree. This condition indicates that it aligns with the definition of leadership as the capacity to exert influence over a group to accomplish organizational goals. This is supported by the p-value of 0.022, which is less than or equal to 0.05. The hypothesis test analysis examining the impact of leadership style factors on corporate performance yielded a p-value of 0.325, which is greater than or equal to the significance level of 0.05. Based on these values, it may be

inferred that H5 is rejected and that the impact of leadership style, which is influenced by organizational culture, on corporate performance is negligible.

CONCLUSION

Organizational learning is a process that is developed to facilitate change and assist companies in making informed decisions regarding their core business activities. This process involves collective efforts to research, enhance, or redefine decisions that contribute to the achievement of the company's goals. This company owns online learning facilities. The Human Capital Division has streamlined its utilization for all employees, managing it based on their job descriptions and the specific needs and competency standards they must possess. Previous studies have consistently demonstrated that leadership styles and narratives are very dynamic research subjects, continuously evolving in tandem with the changing times. The leadership style is significantly shaped by the geographical location, the dominant culture, the composition of the team to be led, and the leader's specific location. However, what is noteworthy about this research is that the premise formulated in the study was refuted; it was concluded that leadership style did not have an impact on corporate performance. The organizational culture at the research site has been cultivated and maintained through a series of deliberate, quantifiable, and consistently executed activities. As a result, the culture and work practices of the respondents closely align with the expectations set by company leaders. Corporate performance, as measured in this study through the statement items provided to participants, serves as an indicator of the success of two other variables that the organization has established and accomplished. The respondents possess prior knowledge, possess the necessary skills to get it, and hold attitudes that align with the established principles of the firm.

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