Mediating Effect of Job Satisfaction on Relation between Power Distance and Collectivism toward Employee Performance in Indonesia

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ABSTRACT

This study aims to analyse the mediating effect of job satisfaction on the relations between cultural dimensions of power distance and collectivism toward employee performance in a public insurance company in Indonesia. The study uses associative and quantitative approach, where data is collected by distributing questionnaires to 153 employees of this company. The data is later analysed using simple regression and path analysis. The findings showed that job satisfaction plays a mediating role between Power Distance, Collectivism and Employee performance. In addition, this study confirmed that Job Satisfaction is important for enhancing employee performance. The Power Distance has both direct and indirect (due to effect on job satisfaction) effects on employee performance.

Keywords: Collectivism, employee performance, job satisfaction, power distance

INTRODUCTION

Globalisation has become vital for economic growth coupled with technological development.

In order to compete in an increasingly tough economic environment, businesses and enterprises must train and retain their human resources, which have shown good performance. Human resources is an asset or a capital for a company in efforts to achieve its goal that is usually referred to the

workforce of an enterprise (Wahyuningsih, Muis, & Sudirman, 2013).

Teamwork and diversity play a major role in any organisation to tackle workplace challenges and to gain competitive advantages. While employers establish and ensure cultural sensitivity and display ability to enhance company performance.

Geert Hofstede (2017) successfully identified six dimensions as the basis for the classification of various cultures. Power Distance is the force, which is distributed unequally. The fundamental problem in this dimension is how society handles inequalities among others. In a society with a low power, distance will attempt to equalise distribution of power and demand justification for inequality of power. Collectivism represent preferences in the framework closely intertwined in a society in which individuals can expect certain relatives or members of their group to keep them in exchange for unstinting loyalty. The position of society is reflected in the self-image of society defined as "I" or "we".
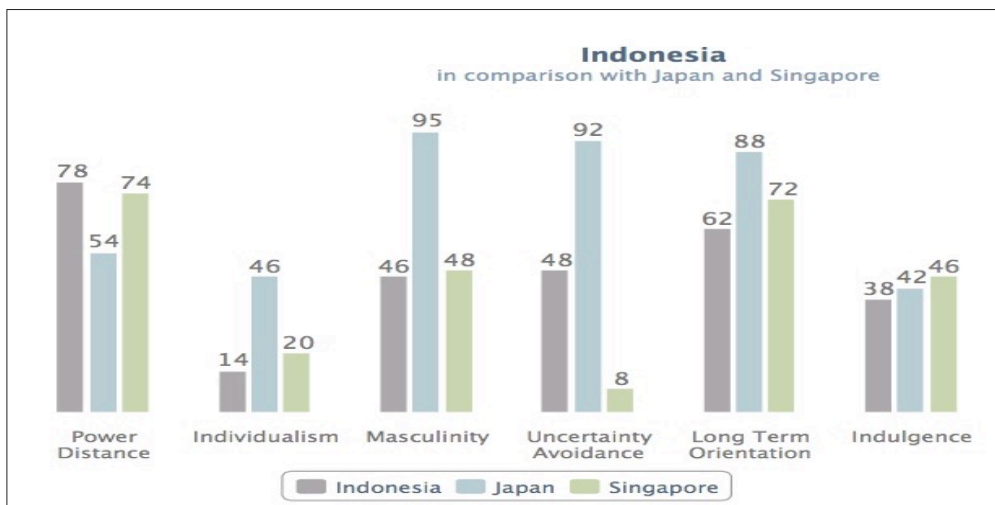

Figure 1. Hofstede cultural dimension comparison
Source: (Hofstede, 2017)

Figure 1 compares cultural dimension of three Asian countries. Indonesia scored high on Power Distance which point to the importance of hierarchy in this country, namely the existence of gap between holders of power and who are not. Indonesia scored 14 for collectivism that in contrast to individualism. Weak individualism or strong collectivism happens when an individual is expected to conform to the ideals of society and in the group in which they originate from. Family roles and relationships play a very important role in Indonesia (Hofstede, 2017). Caesar (2016) stated Indonesia is a collectivistic country and therefore, it is logical to conclude that collectivistic

culture shapes the organisational culture in this country.

This study conducted preliminary interviews with the Human Resources Division Manager (HRD) in one of Indonesia Public Insurance Company. Findings pointed to a decrease in performance from 2013 to 2015 as shown in Figure 2.
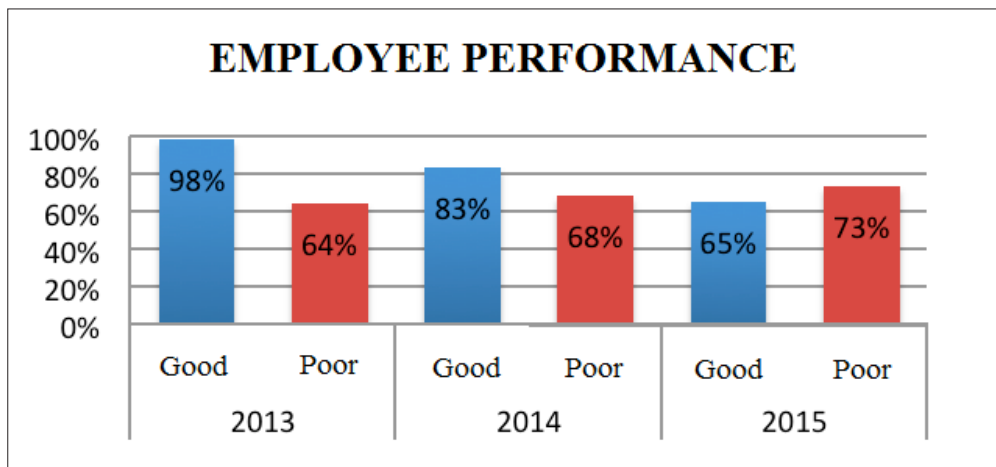

Figure 2. Company employee performance

Figure 2 also shows a 15% decrease of good performance and 4% increase in poor performance from 2013-2014. In 2015, there was 18% decrease in good performance and 5% increase in poor performance. In summary, there was 33% increase in good performance and 9% increase of poor performance from 2013-2015. This is far from reaching the expected target, which is 95% employee showing good performance. In addition, the decrease in Key Performance Indicator values is due to weak relationship between superiors and subordinates, employee satisfaction and organisational culture.

LITERATURE REVIEW

Cultural Dimensions

This study uses two dimensions adopted from Geert Hoefstede's models (2011) that is power distance and collectivism. This is further developed based on Ghosh (2011) who introduced concepts of highly negative organisational progress, participation and empowerment of employees and overall organisational health mostly constructed by power distance and its correlation with collectivism culture.

Ghosh (2011) found significant correlation between individualism-

collectivism and power distance, whereby data showed high power distance associated with collectivism and lower power distance is associated with individualism. Some researchers (Bond, 1996; Erez & Early, 1993) separated individualism-collectivism and power distance by Hofstede's. Other theorists (Triandis, Brislin, & Hui, 1988) argued that hoefstede's theory that didn't split power distance from individualism, it might have reduced the tendency to reify the two construct (Power Distance and Individualism) as separate part and had simplified their search for external correlates of integrated concept. To support Hoefstede's theory on the concept "represent one empirical reality" found in Bond's (1996) which are empirical comparison of data from three different data samples: Chinese Culture Connection (1987); Hofstede (1980), and Schwartz (1994). This analysis identified a single factor that included both individualism and power distance. While high collectivism and low power distance have been observed in countries such as Israel and Costa Rica, they are cited mainly as exceptions by Hofstede (1984, 1985).

Mauk Mulder (Mulder, Ritsema van Eck, & De Jong, 1971; Mulder, 1977, 1976) constructed a concept of Power distance while conducting field experiments on simple social structures. According to Mulder (1977), power "is the potential to determine or direct (to a certain extent) the behavior of another person or other persons more so than the other way round…" and power distance "is the degree of inequality in power between a less powerful individual (I) and a more powerful other (O) in which I and O belong to the same (loosely or tightly knit) social system."

However, power distance today is associated most popularly with the cultural dimensions of Hofstede (2001, 1984, and 1980). Hofstede (2001) defines power distance "as a measure of the interpersonal power or influence between the boss and subordinate as perceived by the less powerful of the two". Mead (1998) suggested a practical operationalisation of low power: "When power distance is low" managers see themselves as systematic and practical, and they admit they need support. There is a tendency for the manager to consult his or her subordinates when they are about to make decisions. Subordinates seem not to really like close supervision and prefer to have a superior who is participative. In addition to that, they are relatively unafraid of disagreeing with the superior. It is found that subordinates may feel more comfortable since it seems easier to cooperate with each other, where interdependence is also emphasised. Opposite conditions are found when power distance tends to be high. Employees manage their work according to what the manager wants, or what they feel he/she wants. Managers show relatively little consideration but like to see themselves as benevolent decision makers.

Based on previous research, power distance has significant effect on job satisfaction (Sadeghi, Amani, & Mahmudi, 2013) and on employee performance (Reddy, 2011). Jeanine, Lawter, Btockerhoff and Rutigliano (2014) concluded collectivism

also has a significant effect on job satisfaction and employee performance.

Figure 3 is a conceptual model developed in this research using seven hypotheses of mediating role of job satisfaction in relationship between power distance and collectivism on employee performance.
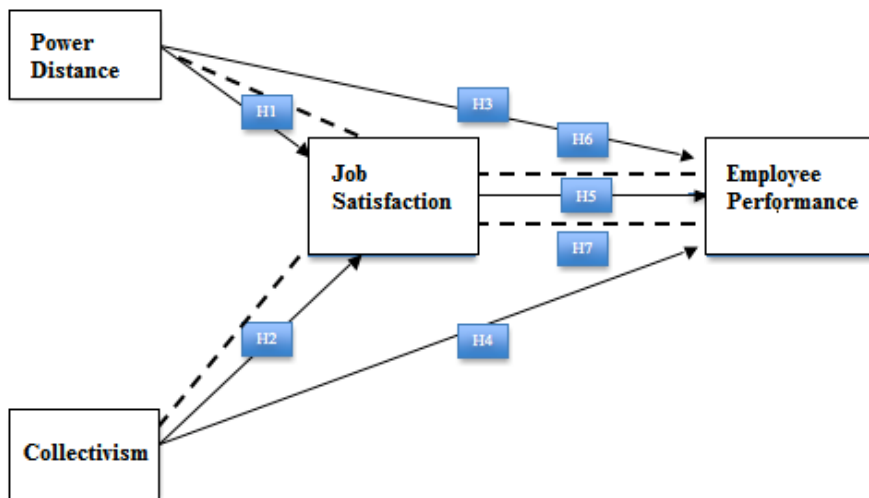

Figure 3. Conceptual framework

According to Sadeghi et al. (2013), power distance has negative correlation but have significant effect on job satisfaction. Subordinates are forced to follow their manager's direction without any consideration of their individual dependencies, competencies. Their relationship with the manager is affected by high power distance, uncertainty avoidance, collectivism and masculinity surrounding the organisation. This high profile organisation tends to have characteristic to limit individual freedom to act that in the end will affect autonomy. Therefore, the following hypotheses were developed:

Hypothesis 1: Cultural dimension of Power distance have an effect on Job Satisfaction

Jeanine et al. (2014) indicated collaboration has a stronger relationship to job satisfaction in the collective culture than individualist culture. This study supported the theory, because naturally, collectivist cultures are more likely to appreciate teamwork to lead to a more satisfying work experience

to meet these needs. Organisations operating in more collectivistic cultures have to use their team as a means not only to complete their job, but also to increase a sense of job satisfaction on employees through their feelings that they have contributed to the organisation. Therefore, the following hypotheses were developed:

> *Hypothesis 2: Cultural dimension of Collectivism have an effect on Job Satisfaction*
>
> *Hypothesis 3: Cultural dimension of Collectivism have an effect on Employee Performance*
>
> *Hypothesis 7: Job Satisfaction has mediating effect on relation between Cultural dimension of Collectivism and Employee Performance*

Reddy (2011) found the impact of power distance on the management performance and existing high-power distance creating more gaps between management and employees. In addition, he showed that the higher the power distance in an organisation the less members of the organisation who will experience the fulfilment of basic their psychological needs/ This will have negative impact on the level of employee satisfaction and can be a serious threat to the success of an organisation. Awadh and Saad (2013) who showed an interrelation between the culture within the power and performance supported his findings. Different values and beliefs based on employee performance help improve organisational performance. Organisational culture (power distance) assists in the internalisation of mutual

relationship that enhances effectiveness of management of organisational processes. This positive relationship between culture (power distance) and performance help in improving organisational goals. The performance of the organisation has a strong impact on its culture (power distance) because it leads to increased productivity. Therefore, the following hypotheses were developed:

> *Hypothesis 4: Cultural dimension of Power distance have an effect on employee Performance*
>
> *Hypothesis 6: Job Satisfaction has mediation effect on relation between Cultural dimensions of Power distance on employee Performance*

Khan, Nawaz, Aleem and Wasim (2012) reported on the determinants of job satisfaction and job satisfaction impact on employee performance in the health department of autonomous medical institutions of Pakistan. Low level of job satisfaction will have negative effect on employee commitment that will sequentially affect their performance in an organisation. Therefore, the following hypotheses were developed:

> *Hypothesis 5: Job Satisfaction has an effect on employee Performance.*

MATERIALS AND METHODS

Data Collection

Data was collected through face-to-face survey and online survey with employees from 13 company branches located in

different province in Indonesia to represent their cultural differences. The sampling frame consists of 153 employees in different branches. Every employee from each branch was first contacted via mail and then via phone in order to solicit their co-operation for the study. A total of 153 respondents provided valid responses representing 13 regions which have branches of the Indonesia Public Insurance company. Out of the 73 respondents for Java, 24 respondents came from west Java, 24 and 25 from middle Java and East Java respectively. In Kalimantan, there were 13 respondents consisting of 2, 5 and 6 respondents from west Kalimantan, East Kalimantan and South Kalimantan respectively. From Sumatera, there were 39 respondents divided into 9 respondents from Riau, 13, 10 and 7 respondents from West Sumatera, South Sumatera and North Sumatera respectively. From Sulawesi, there were 28 respondents with 12, 7 and 9 from South Sulawesi, North Sulawesi and Sulawesi Tenggara respectively. The demographic characteristics of responding firms are shown in Table 1. Tests for non-response bias were conducted by comparing the respondents who agreed to participate after the first contact attempt with those who participated after the second contact attempt. Significant differences were not found in the construct means of the two groups, which suggest that non-response bias may not be considered a major issue in the sampling process.

Table 1
The demographic characteristics of employee

Origin	
Jawa Barat	24
Jawa Tengah	24
Jawa Timur	25
Kalimantan Barat	2
Kalimantan Timur	5
Kalimantan Selatan	6
Riau	9
Sumatera Barat	13
Sumatera Selatan	10
Sumatera Utara	7
Sulawesi Selatan	12
Sulawesi Utara	7
Sulawesi Tenggara	9
Working Time	
2-5 Year	48
6-10 Year	46
> 10 Year	59
Education	
High School	2
D3	11
S1	111
S3	35

Measures and Analysis

The scales in this study were adopted from items used for Cross Cultural practices in prior studies. On Multi-item scales measurement, Power Distance and Collectivism were measured as independent variables, Job Satisfaction as intervening variable and Employee performance as dependent variable. All variables constructs were measured using five-point Likert scales with scores ranging from 1 (strongly

disagree) to 5 (strongly agree). Items for measuring Power Distance and Collectivism were adopted from Noe, Hollenbeck, Gerhart, and Wright (2015). This scale consists of items that measure hierarchy (2 items), Authority (3 items), inequality (1 items) for power distance. The relation between individual and group (4 items) and Communication (2 items) measures Collectivism. Job satisfaction measures were adopted from Luthans, Avolio, Walumbwa and Li (2005) by Job (1 item), Promotion Opportunity (1 item), Supervisor (2 items), Partner (1 item), Work Condition (2 items). Finally, items for measuring employee performance were adopted from (Mathis & Jackson, 2006). In this study, Employee performance was measured as multidimensional, and four different dimensions of performance were measured. These dimensions are quantity, quality of work, punctuality and effectiveness.

Validation

In this study, traditional techniques (i.e., item-total correlations, and Cronbach alpha) were used to assess the psychometric properties of this measurement scale. On the item-total correlation test, there was a 5% significance level and for a sample size of 153, value of r table is 0.13 and t table are 1.66. All items in all variable obtained value above 1.66 that proved validity of items in Power distance, Collectivism, satisfaction, and performance. On reliability test, Cronbach Alpha = $0.889 \geq 0.60$ and therefore Power distance, Collectivism,

satisfaction, and performance variables are reliable.

RESULTS AND DISCUSSIONS

Baron and Kenny (1986) recommended using the three-step approach to test the mediation. First, the mediator was regressed on the independent variables. Second, the dependent variable was regressed on the independent variables. Finally, the dependent variable was simultaneously regressed on both the independents and the mediator. Mediation can be considered tangible if the following conditions are found: 1) the mediator was influenced by the independent variable in the second equation; 2) the dependent variable was influenced by the mediator in the third equation, while the influence of the independent variable on dependent variable was either diminished (partial mediation) or completely disappeared (full mediation). The findings showed a partial mediating effect of PDI on Employee performance and Collectivism on employee performance. That is, Job satisfaction partially mediates the relationship between PDI and employee performance, and mediation of Collectivism on employee performance. In other words, PDI affects Employee performance, both directly and through its effects on Job Satisfactions while Collectivism affects Employee performance, both directly and through its effects on Job Satisfactions. Thus, Hypothesis 6 and 7 are partially supported. The results are useful for future research. In addition to PDI and collectivism, job

satisfaction is found to explain a significant level of additional variance (10 percent and 20 percent) in employee performance. Thus, the primary finding of this research is that Job Satisfaction is likely to enhance the effect of Power Distance and Collectivism on employee performance.

Hierarchical regression analysis is used to assess the mediating effect of job satisfaction in relation between power distance (PDI) and collectivism on employee performance. In the first sub-structure model, PDI and Collectivism posited as the independent variable and job Satisfaction posited as the dependent variable. There was a positive and significant relationship between PDI and job satisfaction (β=.27; p<.05), Collectivism and job satisfaction ((β=.51; p<.05). Thus, Hypothesis 1 and 2 are supported. In the second model, PDI Collectivism and job satisfaction are posited as the predictors of Employee Performance. In this model, PDI was positively related to Employee performance (β=.23; p<.05),

Collectivism to Employee performance (β=.26; p<.05) and Job satisfaction to Employee performance (β=.39; p<.05). Thus, this result supported Hypothesis 3, 4 and 5.

Next, indirect effect of PDI to employee performance mediated by job satisfaction and Indirect effect of Collectivism to employee performance mediated by job satisfaction are posited to test the mediating variable. Model 3 showed that PDI through job satisfaction had significant indirect effects on employee performance (β=.103; p<.05) although it has 10.3% mediation effect of job satisfaction from PDI to Employee performance. Collectivism through job satisfaction had significant indirect effects on employee performance (β=.197; p<.05) with value of 19.7% mediation effect of job satisfaction from Collectivism to Employee performance. Thus, Hypothesis 6 and 7 are supported by this result. The results of these analyses are shown in Table 2.

Table 2
Result analysis

Independent Variable	Dependent Variable		
	Job Satisfaction β	Employee Performance β	Mediating β
Power distance	0.27	0.23	0.103
Collectivism	0.51	0.26	0.197
Job satisfaction		0.39	
	R^2=.52	R^2=.59	

The results of regression analysis revealed that both PDI and Collectivism help us to understand variation in employee performance based on those two cultural dimensions. When PDI and Collectivism on Job satisfaction or on employee performance is compared, collectivism has a bigger value of 24% aggregation value

than PDI on job satisfaction but not as large as PDI and collectivism in terms of employee performance which has only 3% difference. Although when Job satisfaction are considered as independents together, we see that significance and coefficient of PDI is still the highest variables that affect Employee performance as direct effect of Job satisfaction to employee performance is 39%.

CONCLUSION

This study examined the role of cultural dimension of PDI and Collectivism in employee performance through Job satisfaction. The results suggested that job satisfaction holds a role as a mediator between PDI, Collectivism and Employee performance. Besides, this study found that Job Satisfaction is one essential factor for developing employee performance. The PDI has both direct and indirect (due to effect on job satisfaction) effect on employee performance.

Another important finding is the relationship between job satisfaction and employee performance. The results are explained as a tool of optimising the impact of employee satisfaction in order to accomplish firm objectives. Job satisfaction allows employees to be motivated and attached to their job. Besides, it is able to sustain competitive advantage and to enhance employee performance. To realise this, these job satisfactions correspond with other important organisational processes and practices. Implementation of PDI can improve job satisfaction by reducing power distance and inequalities that exist between superiors and subordinates. The most influential cultural dimension that can increase employee performance is by encouraging collectivism culture by adding and developing a work team-building programmes that already exist and teamwork project per-division within the organisation.

This research results highlight several issues considered important for enhancing cultural dimension relating to employee performance through job satisfaction. To maintain job satisfaction that will impact on the performance of the employees, the management of company should increase job performance, improve work conditions that are conducive to relationship between employees and co-workers and superiors; increasing employee job satisfaction can increase the performance of an employee. Thus, if a company wants to improve the performance of employees, they should consider these three variables, namely Power Distance, Collectivism and Job Satisfaction. The results of this study showed power distance, collectivism, and job satisfaction have a significant effect on the performance of employees. The cultural dimensions of power distance should be minimised by coordinating the cultural dimension of collectivism and job satisfaction so that employees' performance will be improved.

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