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## **ANALYZING THE EFFECT OF EMPLOYEE DEVELOPMENT AND ETHICAL LEADERSHIP ON EMPLOYEE PERFORMANCE (CASE STUDY OF PT. TIRTA INVESTAMA AIRMADIDI)**

*ANALISIS PENGARUH PENGEMBANGAN KARYAWAN DAN KEPEMIMPINAN ETIS  
TERHADAP KINERJA KARYAWAN (DI PT. TIRTA INVESTAMA AIRMADIDI)*

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### **ABSTRACT**

*The purpose of this research is to analyze the effect of employee development and ethical leadership on employee performance of PT. Tirta Investama Airmadidi. 50 employees of PT. Tirta Investama Airmadidi had used as respondents. The result shows that the employee development and ethical leadership have a positive and significant effect on employee performance simultaneously. And for the partially effect, ethical leadership does have a partial effect on employee performance, but employee development doesn't have a partial effect on employee performance. As the recommendation, PT. Tirta Investama Airmadidi should be paying attention on how to give a proper training and place the employees in accordance with their competence. Furthermore, the leaders need to build a good relationship with the employees by understanding the employee's needs. Thus, the employees have a job according to their expertise, and they can work better with the leaders, as to improve the employee performance.*

*Keywords: employee development, ethical leadership, employee performance*

### **ABSTRAK**

*Tujuan dari penelitian ini adalah untuk menganalisis pengaruh pengembangan karyawan dan kepemimpinan etis terhadap kinerja karyawan PT. Tirta Investama Airmadidi. Penelitian ini merupakan penelitian kausal yang didasarkan pada 50 responden data dari karyawan PT. Tirta Investama Airmadidi. Hasilnya menunjukkan bahwa pengembangan karyawan dan kepemimpinan etis memiliki efek positif dan signifikan terhadap kinerja karyawan secara bersamaan. Dan untuk efek parsial, kepemimpinan etis memiliki efek parsial terhadap kinerja karyawan, namun pengembangan karyawan tidak memiliki efek parsial terhadap kinerja karyawan. Sebagai rekomendasi, PT. Tirta Investama Airmadidi harus memberi perhatian pada bagaimana memberikan pelatihan yang tepat dan menempatkan karyawan sesuai dengan kompetensi mereka. Selanjutnya, para pemimpin perlu membangun hubungan yang baik dengan karyawan dengan memahami kebutuhan karyawan. Dengan demikian, karyawan memiliki pekerjaan sesuai keahlian mereka, dan mereka dapat bekerja lebih baik dengan para pemimpin, sehingga dapat meningkatkan kinerja karyawan.*

*Kata kunci: pengembangan karyawan, kepemimpinan etis, kinerja karyawan*

## 1. INTRODUCTION

### 1.1. Research Background

The business world is growing so fast, more complex, and more demanding than ever before. Managers within companies or organizations are primarily responsible to ensure the tasks or job is done through employees in the right way. The employees are required to meet the targets set by the company and keep maintain the quality of the product. Employee becomes a company competitive advantage. Company need to encourage their employees, and make them feel that they are an integral part of the companies. According to Mwita (2009:269) employee performance is the important factor and the building block which increases the performance of overall organization.

The leaders in a company also take part on the sustainability of the company itself. How the leaders behave could affect the employee. Ciulla (2011:2) concluded that ethics should be at the center of leadership. Leaders are instrumental in developing and establishing organizational values. Their own personal values determine what kind of ethical climate will develop in their organizations. It's a process whereby an individual influences a group of individuals to achieve a common goal.

Danone is one of the most influential food and beverage companies in the world. PT Tirta Investama had done a strategic alliance with Danone Group. With 500 companies, their products are sold on five continents, have more than 160 production plants and around 100,000 employees (Danone, 2015). Throughout 30 years of experience, the company has expanded into 14 factories that produce AQUA in Indonesia. With so many AQUA factories in Indonesia, there are also the numbers of existing employees that directly effect the production. The number of employees increased significantly compared with the amount recorded in the previous reporting period. All employees have the components of remuneration in line with the provisions of the company in accordance with the individual's performance and adjust well to the company's performance. So, the employee needs to maximize their performance in order to maintain the company's productivity level, as well as to get their own benefit.

### 1.2. Research Objectives

Based on the research problem, this research is aimed to:

1. To know the effect of employee development and ethical leadership on employee performance, simultaneously.
2. To know the effect of employee development on employee performance, partially.
3. To know the effect of ethical leadership on employee performance, partially.

## 2. THEORETICAL FRAMEWORK

### 2.1. Employee Performance

Every organization has been established with certain objectives to achieve. According to Cascio (2006:389) performance is the extent to which an individual is carrying out assignment or task. It refers to the degree of accomplishment of the task that makes up an employee's job. Employee's performance becomes a major source of achieving the organization's goals. Any organization can make progress only if its employees perform in better way. Ivanova (2011:224) said that the better performance of the employees in a company, the greater positive impact of the company to survive in maintaining its position in the business world.

## 2.2. Employee Development

Development of an employee is always needed in order to boost the performance of the employees themselves. Ivanova (2011:224) said that employee development means to develop the abilities of an individual and organization as a whole. When employees would be more developed, they would be more satisfied with the job, more committed with the job and the performance would be increased. Employee development activities are very important for the employees, as the activities are performed, it indicates that organization cares about their employees and wants them to develop.

## 2.3. Ethical Leadership

Ethical leadership is defined as the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making (Brown, Treviño, and Harrison, 2005:120). Ethical leadership behavior plays an important role in promoting enhanced employee attitudes and behaviors which affect their performance

## 2.4. Previous Research

There are several literatures are used in the supporting of the research. They provide the grand concept and link between the previous research and this research.

1. Hameed and Waheed (2011) in their conducted research Employee Development and Its Effect on Employee Performance: A Conceptual Framework. The similarities of this research with Hameed and Waheed (2011) are; the result of both research shows that the employee development as the valuable research of an organization has a significant effect on employee performance. The differences are; the method of Hameed and Waheed (2011) research's used descriptive analysis study method while this research used multiple regression analysis method.
2. Obicci (2015) in his conducted research the effects of ethical leadership on employee performance in the public sector in Uganda. The similarities of this research with Obicci (2015) are both researcher used regression analysis method and pearson correlation coefficient. The differences
3. Bello (2012) in his conducted research Impact of Ethical Leadership on Employee Job Performance. The similarities of this research with Bello (2012) are; the result of both research shows that the ethical leadership need a broad ethical awareness concern about the employee. The differences are; the method Bello (2012) used was descriptive analysis study method while this research used multiple regression analysis method.

## 2.5. Research Hypothesis

The hypothesis of this research is:

- H1: Employee development and ethical leadership have a simultaneous influence on employee performance in PT. Tirta Investama
- H2: Employee development has partial effect on employee performance in PT. Tirta Investama
- H3: Ethical Leadership has partial effect on employee performance in PT. Tirta Investama

### 3. RESEARCH METHOD

#### 3.1 Type of Research

This research uses causal type of research where this research analyze the effect of employee development and ethical leadership on employee performance

#### 3.2. Place and Time Research

This research was conducted in PT. Tirta Investama in Airmadidi between May-July 2015.

#### 3.3. Conceptual Framework

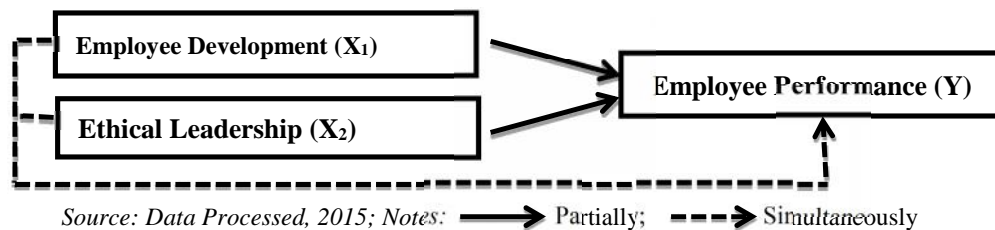


Figure 1. Conceptual Framework

#### 3.4. Population and Sample

Population is the generalization region consisting of the objects / subjects that have certain qualities and characteristics that is fixed by researcher to study and to gain conclusion (Sugiyono, 2005:55). The Population in this research is the employees in PT. Tirta Investama in Airmadidi. This research was used a purposive sampling method. According to Bernard (2002); Lewis and Sheppard (2006:291-313), purposive sampling is when the researcher decides what needs to be known and sets out to find people who can and are willing to provide the information by virtue of knowledge or experience. Based on the amount of the employees in PT. Tirta Investama Airmadidi, the researcher decided to take 50 employees as a sample of this research, Sekaran (1992:253) proposed the rules of thumb for determining sample size where sample size larger than 30 and less than 500 are appropriate for most research, and the minimum size of sample should be 30% of the population. Based on this theory, researcher considered that 50 was enough to representative the data. The sample was spread equally from each division which are finance, human resources, corporate secretary, modern distribution channel, sales and distribution, operations, marketing, research and development, source and supplier development, and supply chain.

#### 3.5. Data Collection Method

This research uses primary source of data. Primary data is data originated by the researcher specifically to address the research problem. The researcher also gets primary data form the result of questionnaires. Questionnaires are distributed to respondents so they can respond directly on the questionnaire. There were two sections in the questionnaire. First section asked about respondent's identities and the second section asked about things that related with the variables.

### 3.6. Measurement of Research Variables

Questions in the questionnaire made by using Likert scale, respondents will not have problems in understanding and filling out the questionnaire, and it is easy for the researcher to measure, interpreting and analyze the data.

### 3.7. Data Analysis Method

#### Multiple Regression Analysis Model

Multiple regression is an extension of bivariate regression. It allows us to examine the effect of two or more independent variables on the dependent variable (Frankfort, 2008:452). Researcher use a Multiple Regression analysis model which the variables as shown below:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Whereas

- Y : Consumer Buying Decision
- A : Intercept
- b<sub>1</sub>, b<sub>2</sub> : The regression coefficient of each variable
- X<sub>1</sub> : Employee Development
- X<sub>2</sub> : Ethical Leadership
- e : error

This research will analyze the data by using software SPSS.

## 4. RESULT AND DISCUSSION

### 4.1. Validity and Reliability Test

**Table 1. Validity Test Result**

Indicator	Pearson	R <sub>table</sub>	Conclusion
X <sub>1,1</sub>	0.752	0.05	Valid
X <sub>1,2</sub>	0.803	0.05	Valid
X <sub>1,3</sub>	0.736	0.05	Valid
X <sub>1,4</sub>	0.768	0.05	Valid
X <sub>1,5</sub>	0.570	0.05	Valid
X <sub>2,1</sub>	0.709	0.05	Valid
X <sub>2,2</sub>	0.849	0.05	Valid
X <sub>2,3</sub>	0.806	0.05	Valid
X <sub>2,4</sub>	0.665	0.05	Valid
X <sub>2,5</sub>	0.786	0.05	Valid
Y <sub>1,1</sub>	0.716	0.05	Valid
Y <sub>1,2</sub>	0.659	0.05	Valid
Y <sub>1,3</sub>	0.859	0.05	Valid
Y <sub>1,4</sub>	0.791	0.05	Valid
Y <sub>1,5</sub>	0.513	0.05	Valid

*Source: Data Processed, 2015*

Table 1 shows that the significant score for each statement is >0.05. Can be concludes that each statements are valid.

**Table 2. Reliability Statistics**

Cronbach's Alpha	N of Items
.775	5
.816	5
.740	5

Source: Data Processed, 2015

Table 2 shows that Alpha Cronbach for X1 is 0.775; X2 is 0.816; and Y is 0.740 which means each of the variable have a value above the acceptance limit of 0.6. Therefore, the research instrument is reliable.

**4.2. Multiple Regression Analysis**

**Table 3. Multiple Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	10.592	2.492		4.250	.000
1 Employee Development	.170	.128	.187	1.331	.190
Ethical Leadership	.305	.100	.427	3.048	.004

a. Dependent Variable: Employee Performance

Source: Data Processed, 2015

$$Y = 10.592 + 0.170X1 + 0.305X2$$

The interpretation of the result is:

1. Constant value of 10.592 means that if all the independent variables in this research: employee development (X1) and ethical leadership (X2) are equal to zero, then the employee performance (Y) of PT. Tirta Investama is predicted to be 10.592.
2. Coefficient value of 0.170 means that if the variable in this research, employee development (X1) increases by one scale or one unit, it will increase employee performance (Y) of PT. Tirta Investama by 0.170.
3. Coefficient value of 0.305 means that if the variable in this research, ethical leadership (X2) increases by one scale or one unit, it will increase employee performance (Y) of PT. Tirta Investama by 0.305.

**4.3. Testing the goodness of Fit: Coefficient of Multiple Correlation (R) and Coefficient of Determination (R<sup>2</sup>)**

**Table 4. Coefficient Determination**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.543 <sup>a</sup>	.295	.265	1.794

a. Predictors: (Constant), Ethical Leadership, Employee Development

Source: Data Processed, 2015

The coefficient of correlation (R) is 0.543 means that the level of relationship between independent and dependent variable is considered moderately correlated.

The value of coefficient of determination is between 0 and 1. The coefficient of determination ( $R^2$ ) of 0.295 shows that the linear relationship in this model is able to explain the employee performance (Y) for 29.5% while the rest 70.5% is explained by other factors not discussed in this research.

**4.4. Test of Classical Assumption**

**4.4.1. Multicollinearity Test**

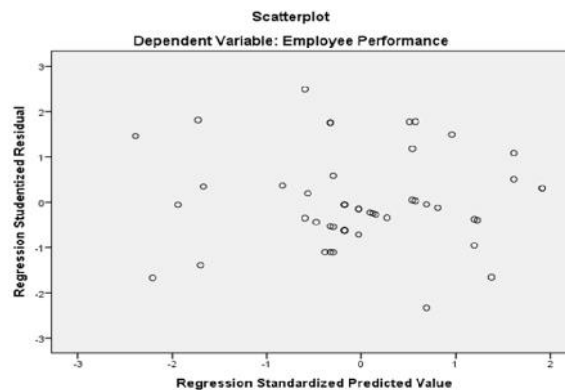
**Table 5. Multicollinearity Test**

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
1. Employee Development	.764	1.309
2. Ethical Leadership	.764	1.309

*Source: Data Processed, 2015*

Based on the table 5, the symptoms of multicollinearity do not occur, because VIF value of employee development (X1) and ethical leadership (X2) on employee performance (Y) are <10 or has value of 1.309. Also, since all the tolerance value is more than 0.2 or has value of 0.764. Thus, this research concluded to be free from multicollinearity.

**4.4.2. Heteroscedasticity Test**

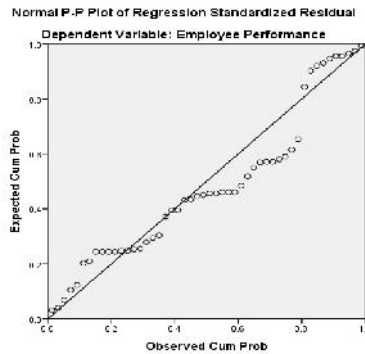


**Graph 1. Heteroscedasticity Test**

*Source: Data Processed, 2015*

From picture above it can be seen that there is no established pattern. This proves that the independent variable Employee Development (X1) and Ethical Leadership (X2) on Employee Performance (Y) are free of Heteroscedasticity.

4.4.3. Normality Test



Graph2. Normality Test

Source: Data Processed, 2015

Picture above shows the data represented by the dots are spreading near and follow the diagonal line. This proves that regression model of the effect of employee development (X1) and ethical leadership (X2) on employee performance (Y) in PT. Tirta Investama Airmadidi fulfills the condition of normality assumption.

4.5. Hypothesis Testing

4.5.1. F-test

Table 6. ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	63.208	2	31.604	9.818	.000 <sup>b</sup>
	Residual	151.292	47	3.219		
	Total	214.500	49			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Ethical Leadership, Employee Development

Source : Data Processed, 2015

By using the level of significant of 0.05 ( $\alpha = 0.05$ ) and degree of freedom (df) of 2, the F value from F distribution table is  $F_{table} = 2.79$ , while the value of  $F_{count}$  from the table above is  $F_{count} = 9.818$ . It means,  $F_{count} = 9.818 > F_{table} = 2.79$ . The table also shows that the significance value is  $0.000 < 0.05$ . It means the overall influence of Employee Development (X1) and Ethical Leadership (X2) on Employee Performance (Y) is very significant. Therefore,  $H_0$  is rejected and  $H_a$  is accepted. In other words, the independent variables simultaneously influence the dependent variable very significantly.



**4.5.2. T-test**

**Table 7. Coefficient**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	10.592	2.492		4.250	.000		
1 Employee Development	.170	.128	.187	1.331	.190	.764	1.309
Ethical Leadership	.305	.100	.427	3.048	.004	.764	1.309

a. Dependent Variable: Employee Performance

*Source: Data Processed, 2015*

**Table 8. t-test result**

Variables	T-count	T-table	Conclusion
Employee Development (X1)	1.331	1.676	Rejected
Ethical Leadership (X2)	3.048	1.676	Accepted

*Source: Data Processed, 2015*

The interpretation of the table above as follows:

1.  $t_{count}$  for employee development ( $X_1$ ) is 1.331. Value on  $t_{table}$  used for comparison is found at the level of significance of 0.05, which is at the confidence level of 95%. From the table above we can see  $t_{table} = 1.676$ . The result is  $t_{count} = 1.331 < t_{table} = 1.676$ . It means employee development ( $X_1$ ) does not have significant partial influence on employee performance ( $Y$ ). Therefore,  $H_0$  is accepted and  $H_1$  is rejected
2.  $t_{count}$  for ethical leadership ( $X_2$ ) is 3.048. Value on  $t_{table}$  used for comparison is found at the level of significance of 0.05, which is at the confidence level of 95%. From the table above we can see  $t_{table} = 1.676$ . The result is  $t_{count} = 3.048 > t_{table} = 1.676$ . It means ethical leadership ( $X_2$ ) partially influences the employee performance significantly. Therefore,  $H_0$  is rejected and  $H_1$  is accepted.

**5. CONCLUSIONS AND RECOMMENDATION**

**5.1. Conclusions**

Based on the result of analysis and the discussion in the previous chapter, several conclusions can be formulated.

1. Employee development and ethical leadership are simultaneously influenced the employee performance in PT. Tirta Investama Airmadidi.
2. Employee development does not has significant influence on employee performance in PT. Tirta Investama Airmadidi.
3. Ethical leadership has significant influence on employee performance in PT. Tirta Investama Airmadidi.

**5.2 Recommendation**

Both independent variable which are employee development and ethical leadership have a significant influence on employee performance. Thus, the company need to concern about employee development and ethical leadership for employee development and ethical leadership

have a positive influence on employee performance. The leaders in PT. Tirta Investama Airmadidi must consider about the importance of ethical leadership on the organization, about how they build the relationship with the employee, how to fulfill the needs of the employee both for their personal and to develop the employee performance. Because according to the result of this study which show that the ethical leadership have significant influence on employee performance, the leaders need to figure the things that can increase the need of their employee to be developed, thus can increase the performance of the company.

Although employee development does not have a significant influence on employee performance partially, it does not mean that the employee development can be disregarded. When the employees get more knowledge, trained better, then they have greater ability to do their work efficiently and effectively. When the employee can do their job better, that means the performance of the employee itself increasing as well as the company profit. So, it would be better if the company rearrange the way they do the development program for the employee. A new procedure can be applied such as giving employees the opportunity to participate in training and development outside the region regularly and involve all existing employees. So, both of the independent variable, employee development and ethical leadership, should be given attention and be developed in order to improve employee performance.

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