

## **THE EFFECTS OF QWL MEDIATION AND WORK INVOLVEMENT IN THE EFFECT OF KT TO EMPLOYEES' PERFORMANCES (A STUDY ON ISLAMIC BANK IN EAST JAVA)**

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### **1. INTRODUCTION**

Since its establishment, Islamic Bank was established based on the presence of Modern Islamic Renaissance movement and its ethic. The main purpose of this kind of financial services as an effort of Moslem people to base any economic aspects on *Al-Qur'an* and *As-Sunnah* (Kardiman, 2002). The concept to establish Islamic Bank in Indonesia had been presented since 1974. However, it could not be implemented immediately, since its operation which implemented the profit-sharing principle was not regulated yet, and also was not following the prevailed Principal Banking Law. The concept of Islamic Bank has a connotation of ideological in terms of political, related to the concept of Islamic state, and therefore, it is undesirable by the government and there is no investor in it since at the time, the establishment of new banks from the Middle East is still prevented, including the restrictions on foreign banks which wanted to open their branches in Indonesia.

After the 1997 crisis, almost all of the conventional banks were liquidated because they experienced a negative spread, unless the banks which got a recap from the government through BLBI in a large amount of 650 trillion Rupiah. The conventional banks could be saved, identified by sacrificing the public's interests. The crisis brought a wisdom for the development of Islamic banking in Indonesia. The Government and Parliament issued the Law No. 10 of 1998 on the Amendment of Law No. 7/1992. After the legalization of the law, some banks were *sharia* converted and opened a *sharia* business unit.

According to the Islamic Banking Statistics of 2013, the numbers of Islamic Rural Bank were 160 units, where East Java was in the first rank for 31 units, followed by West Java for 27 units, and Central Java for 24 units. In Table 1.1, the condition of

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Islamic banking in Indonesia increased significantly, also was marked for its "income" of 3,993 billion in 2007, increased to be 22.046 billion in 2013, or increased for 5 times. Similarly, for its "profit after tax" from 2007 to 2013 which increased proportionally.

Although it can be said that the development of Islamic Bank was developed rapidly, but it is less developed than the conventional banks. In percent, the development reached 36.7% in 2012 and 28% in 2011. However, in total, it could not increase the market share of Islamic Banks yet compared to the conventional banks. Bank Indonesia targeted the Islamic banking market share of 5% compared to the overall banks at the end of 2013. It was suited to the blueprint of Islamic banking in Indonesia. Looking at the data from Bank Indonesia until December 2012, the share of assets of Islamic Banks was only 1.84% compared to the total of the banks.

In another real condition, related to the human resources of Islamic Banking, the number of employees had increased significantly, especially for Commercial Islamic Banks. The number of employees is 26 514 which is five-folded compared to 2007 (4,311 employees). For the Islamic Rural Banks, the number of employees in 2007 was 2,108, doubled to 4,826 in 2013. The high numbers of employees reflects the high performance of Islamic banks in Indonesia, especially in East Java, which is the axis of Islamic Bank in Indonesia, although the development was incomparable to the conventional banks.

Ashkanasy, *et al.* (2000) states that the Company Human Resources has a significant relationship with the company's performance, especially for human resources. The Human Resources owned by a company has a positive correlation with the competitive advantages (Ng & Sorensen, 2008). The more qualified and competent the human resources, the more improved the performance/productivity of the company.

Njotoprajitno (2011) states that the development of the banking companies should be started from the Good leadership sector which will be able to influence and support the development of human resources' competencies of the cooperative. Sharkey, *et al.* (2012) describes the Transglobal leadership style has five dimensions, they are uncertainty resilience, team connectivity, pragmatic flexibility, Perceptive responsiveness, and talent orientation which can improve the effectiveness and success of leadership toward the outcomes in the form of the performances of the employees and organizations. A Transglobal leader is capable to treat the others as individuals, consider the individuals' needs, to listen, educate and train the subordinates; so that such leader is able to give personal attention to his/her subordinates.

Bass (1985), Avolio (1996), and Bass and Avolio (1997) literature states that the employees' performance will be affected by the high level of leadership. From the organizational perspective, the work involvement was defined as a positive subject which has an impact on the overall performance of the organization and the employees. "Involvement" is a positive and complete statement of the core aspect of him/her related to his/her work, while "alienation" is declared as a loss and separation of someone from him/herself in a working environment (Kanungo, 1982). Clark's research

(1990) proves that there is a positive relationship between work involvement and performance, as Hensey (1987) proves that work involvement is able to katarakis the performances of employees. Hsu (2012) proves that the QWL and self-determination is a relationship mediator between the suitability of employees – work and work involvement. The result of Hsu's research (2012) is able to fill the gap of suitable literatures on work involvement was seen as potential output, while Mohsan's research (2011) proves that there is a weak correlation between work involvement and employees' performances. In line with those conditions, in a cooperative organization, there is an indication of the effect of work involvement and employees' performances to individual performance (Dartu, 2007).

From the explanations above, this study will conduct a deeper analysis the effects of QWL mediation and work involvement in the effect of Transglobal leadership to employees' performances of the Islamic Bank in East Java.

## **2. LITERATURE REVIEW**

This study is derived from several previous studies which examine the factors affecting the employees' performances, which is associated with leadership, both transformational and Transglobal, as well as the effects of QWL and work involvement. Husnawati's study (2006) finds that: (1) the quality of work life directly or indirectly affect the employees' performances, (2) that the application program of the quality of work life through the dimensions of growth and development, participation, wages and benefits, and also working environment in the company will have an effect on the performance improvement of the employees, (3) the quality of work life programs also affect the improvement of organizational commitment and subsequently affect the employees' performances, (4) the quality of work life programs also affect the work satisfaction which subsequently affects the employees' performances.

Hayward's research (2005) aims at proving the relationship between the employees' performances, leadership and emotional intelligence on parastatal organization in South Africa. The results find that (a) there is a significant correlation between the direction of the employees' performances with emotional intelligence of the transactional leadership with a significance level of 5%, (b) there is a very weak relationship between emotional intelligence and transactional leadership, therefore, the emotional intelligence has no significant effect on employees' performances, (c) there is an in-line significant positive correlation between the emotional intelligence and transactional leadership, at the significance level of 5%, (d) there is an in-line positive relationship between the emotional intelligence and transformational leadership.

The theory of organizational behavior is a grand theory used in this study. Robbins (2006) describes that human is one of the important factors in the organization. The success of an organization depends on the individual's performance in it. In the whole work, the members determine the success, so that a variety of efforts to improve the

productivity of the organization should start from the improvement of members' productivities. Productivity can be assessed and optimized through performances. Therefore, the understanding of organizational behavior becomes very important in order to improve the performances.

Organization is a system of co-operation activities conducted by two or more people and must have an interaction among its members, should have a goal to be achieved, so that will form the characteristics of its members to comply with these objectives. The achievement of the goals depends on whether there is an element of cooperation amongst its members or not, both through formal and informal structure. While the group of people who work together with the use of certain resources to try to achieve its objectives and which consists of people who work in a goal prospecting system will be established as an organizational goal. In order to achieve the organizational goal, there should be a need of some specific efforts to manage the organization. Managing the organization is certainly cannot be separated from the managerial aspects which are closely related to the activities of the organization, such as related to the leadership, quality of work life, work involvement, and employees' performances.

### 3. RESEARCH METHOD

The population in this study was all of the employees of Islamic Bank in East Java, from 38 Regencies/Cities. Given the big-size of population in this study, there was a sampling, which took the majority of the population. The sampling was conducted by using the purposive sampling, taking some employees in Malang City, Malang Regency, Batu City, Pasuruan Regency, Pasuruan City, Sidoarjo Regency, and also Surabaya City. The sample size taken was based on the criteria of the used analysis tool, ranging between 5-10 times of indicators in the analysis model (Solimun, 2013). The number of indicators in our model was as much as 15, so that the number of samples that could be used was  $10 \times 15 = 150$  respondents. The analysis tool used was PLS. The variables involved in this study were as follows:

1. Transglobal Leadership is a dimension of intelligence that is owned by the leaders / managers of cooperatives which is based on six indicators: cognitive intelligence, emotional intelligence, business intelligence, cultural intelligence, global intelligence, and moral intelligence (Sharkey, 2012).
2. Quality of Work Life (QWL) in this study is the perception of employees that they feel safe, comfortable, relatively satisfied, both physically and psychologically, and also able to grow and develop as the other human beings. This variable was measured by participation, growth and development, compensations and rewards, as well as the working environment (Werther and Davis, 1996; Wayne, 1992).
3. Work involvement is a participatory process that uses the entire capacity of the employees and is designed to encourage a commitment to the success of an organization, which is measured from the performance of self-esteem

contingency, and the importance of work as a total picture of the individual (Lodahl and Kejner in Cohen, 2003).

4. Employee performance is a result that is achieved by employees on the work according to certain criteria to apply for a work, which is measured from the work, work behavior, as well as personal characteristics (Wirawan, 2009).

#### **4. RESULTS**

Table 1 below presents the results of validity and reliability of the instrument. The results show that 45 items of questionnaire and 15 indicators considered valid (correlations above 0.3), and reliable (Cronbach alpha above 0.6). Table 2 below presents the results of measurements of the PLS models as follows:

The results of the measurement model shows that the entire value of the P-value <0.05 which indicates 15 significant indicators as the measurement of each of the four variables of the study. Leadership significant Transglobal intelligence was measured by cognitive, emotional intelligence, business intelligence, cultural intelligence, global intelligence, and moral intelligence. The highest loading magnitude factor shows that the global intelligence is the strongest indicator as a measure of leadership Transglobal. This indicates that the leadership of Islamic Bank in East Java, which must rely on global intelligence to understand the legal environment, economy, government, and procedural where leaders focus enabled by its employees. The successful leader with his/her intelligence to learn how things are done in other areas and do not assume that the method can be implemented in their own territory. Leader of global standardization balance local needs: the need for the life of Islamic banking in East Java.

Quality of work life of employees of Islamic banking in East Java was significantly measured by participation, growth and development, compensation / benefits, and work environment. From the magnitude of the highest loading factor showed that the strongest indicator of participation as a measurement of QWL. This indicated that the employee's participation of Islamic banking in East Java formed it opportunity and took any part in the any decision, the intensity of an opportunity, as well as the opportunity of it and took any part to provide input and ideas was needed to build a high QWL.

The work involvement of Islamic banking employees in East Java was significantly measured by two aspects: the performance of self-esteem contingency, and the importance of self-employment for a total picture of the individual. The first indicator is the strongest measure of employees' work involvement. This means that employees feel involved in the work if the employee is able to work hard will increase self-esteem, work hard will increase the work and success of Islamic banking in East Java.

The employees' performances of Islamic banking in East Java were significantly measured by work, work habits, and personal characteristics. The coefficient of the

highest loading factor shows that the indicator of the work results is a predominant indicator measuring employees' performances. It shows that the employees of Islamic banking in East Java has a high performance if they were capable to show the work in the form of a high maximum number of works which can be completed on time, the work results which are in accordance with the objectives of Islamic banking, and the ability to work with proportional time and cost.

The following table presents the results of the analysis results of PLS structural model. From five paths constructed in this study, there was a non-significant path for the value as the P-value  $> 0.05$ , i.e. a direct effect of Transglobal leadership to the employees' performances. It suggests that the Transglobal leadership has no direct effect on the employees' performances. In the other hand, four other paths which are the Transglobal leadership to the QWL and work involvement, and QWL and work involvement to the employees' performances were stated to be significant (P-value  $< 0.05$ ). The analysis results on the effect of QWL mediation to Transglobal leadership on the employees' performances, obtained a coefficient indirect effect of xxx with P-value  $< 0.05$ . It indicates that the QWL mediated Transglobal leadership effects on the employees' performances. It means that, the higher the Transglobal leadership, the higher the performances of the employees if it is supported by the high QWL. Given that the direct effect of Transglobal leadership on the employees' performances is non-significant, QWL plays a role as a variable of full-mediation. It means that without any QWL, there will be no effect of Transglobal leadership to the employees' performances.

QWL and work involvement are mediation variables on Transglobal leadership effect on the performance of the employees' performances. This result reinforces the findings from Husnawati (2006), Hayward (2005). These findings are also simultaneously expanding the organizational behavior theory, which the main factor that needs to be considered in organizational development is to create the QWL as well as a good work involvement. It indicates the importance of the role of QWL and work involvement. From the analysis, it shows that the QWL has a stronger (higher) mediating role than work involvement. Therefore, it needs an improvement of QWL in the Islamic banking world in Indonesia, although the involvement of the work also needs to be improved.

There are some suggestions can be given from the results of this study, they are: to improve the performances of Islamic banking employees, it needs some improvements such as improvement in the leadership approach that is able to be Transglobal which has six characteristics of high intelligence, especially for global primary intelligence. However, we cannot ignore the factor of QWL and work involvement. The priority of improving QWL needs to be prioritized because this variable is the most powerful mediating variable. Improving QWL by improving employees' participation in all respects. In the other hand, the improved work involvement should focus on the improvement of work hard behavior which will

improve the self-esteem, while work hard behavior will improve the performance and success of Islamic banking in East Java.

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