

THE EFFECT OF EMPOWERMENT AND EMPLOYEE ENGAGEMENT ON JOB SATISFACTION, ORGANIZATIONAL COMMITMENT AND ITS IMPACT ON PERFORMANCE OF PTPN V

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Abstract: The study aims to test and empirically prove the effect of empowerment and employee engagement on job satisfaction and organizational commitment and its impact on performance at PT Perkebunan Nusantara V. The study focused on employees who worked in the plantation area, especially those in the afdeling PT Perkebunan Nusantara V Riau. Afdeling or division is the smallest unit of the plantation management, which is an administrative area that manages agronomic plantations with an area of between 500-1000 hectares. The sample in this study were 360 respondents who are staff employees and non-staff employees at the supervisor level. The research sample was taken by purposive sampling. Data was collected by providing questionnaires and interviews, then analyzed using descriptive analysis and processed using the Structural Equation Model (SEM) with Partial Least Square (PLS) programs. The latent variables in this study are empowerment, employee engagement, job satisfaction, organizational commitment and performance. The results of this study indicated that: (1) empowerment has no significant effect on job satisfaction (2) empowerment has no significant effect on organizational commitment; (3) employee engagement has a significant effect on job satisfaction (4) employee engagement has a significant effect on organizational commitment; (5) job satisfaction has no significant effect on performance; and (6) organizational commitment has no significant effect on performance.

Keywords: empowerment, employee engagement, job satisfaction, organizational commitment, performance

Abstrak: Penelitian ini bertujuan untuk menguji dan membuktikan secara empiris pengaruh pemberdayaan dan keterlekatan karyawan terhadap kepuasan kerja dan komitmen organisasional dan dampaknya terhadap kinerja di PT Perkebunan Nusantara V. Populasi penelitian adalah karyawan yang bekerja di kebun terutama yang berada di afdeling PT Perkebunan Nusantara V Riau. Afdeling atau divisi adalah unit atau satuan yang terkecil yang berada di kebun merupakan wilayah administratif yang mengelola agronomi tanaman perkebunan dengan luasan antara 500-1000 hektar. Sampel dalam penelitian ini adalah 360 responden. Karyawan yang menjadi responden adalah karyawan pimpinan dan karyawan pelaksana setingkat supervisor. Sampel penelitian diambil secara purposive sampling. Teknik pengumpulan data yang digunakan adalah dengan memberikan kuesioner dan wawancara. Kemudian data yang terkumpul dianalisis menggunakan analisis deskriptif dan diolah menggunakan Structural Equation Model (SEM) dengan program Partial Least Square (PLS). Variabel laten dalam penelitian ini adalah pemberdayaan, keterlekatan karyawan, kepuasan kerja, komitmen organisasional dan kinerja. Hasil penelitian ini menunjukkan bahwa: (1) pemberdayaan tidak berpengaruh yang signifikan terhadap kepuasan kerja; (2) pemberdayaan tidak berpengaruh yang signifikan terhadap komitmen organisasional; (3) keterlekatan karyawan memiliki pengaruh signifikan terhadap kepuasan kerja; (4) keterlekatan karyawan memiliki pengaruh signifikan terhadap komitmen organisasional; (5) kepuasan kerja tidak berpengaruh signifikan terhadap kinerja; dan (6) komitmen organisasional tidak berpengaruh signifikan terhadap kinerja.

Kata kunci: pemberdayaan, keterlekatan karyawan, kepuasan kerja, komitmen organisasi, kinerja

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INTRODUCTION

In this globalization era, almost all companies strive to make progress by increasing their performance. A company that is flexible and adaptive and has a culture of achievement with high performance will be able to compete in intense global competition. Improving performance is largely determined by human resources. If human resources are highly motivated, creative, and able to develop innovation, their performance will get better. Therefore, efforts are needed to develop and renew employees' abilities and expertise so that each member of the company can respond and be sensitive to the direction of change that occurs in order to support organizational renewal (Harvey and Brown, 1996).

Human resources are the most decisive factor in a company because human resources are one of the elements of the company's competitiveness as well as the main determinants of the company's progress. Therefore, human resources must have the competence and high performance for the development of the company. In addition, human resources are also demanded to be more professional (Sedarmayanti, 2007). Various strategies can be used by companies to develop and renew employee competencies in dealing with various company problems, especially in terms of organizational attitudes and behavior.

In the past, improvement of the competency of human resources in many companies was carried out through training, development, programs reengineering, continuous improvements, as well as total quality management (TQM). This method is gradually being abandoned because it is a top-down approach, thus unable to produce employees who can improve company performance and ensure consistency of high performance within the company. The new approach that can be used to develop human resources nowadays is known as empowerment, which is a bottom-up approach (Argyris, 1998; Wibowo, 2014).

Employee empowerment in a company is related to the optimal level of employee involvement in creating the success of the company's business. Besides that, empowerment is an important component of the success of an organization, closely related to how the company's management implement various ways of treating employees to be able to work effectively (Alwi,

2001). Empowering employees psychologically make employees feel meaningful in working and organizing. Employees will also feel their presence is more valuable in the company. Empowerment in a situation like this is one of the recommended techniques to improve performance among other techniques (Garnero et al. 2013).

In order to achieve the best human resource performance, employees must have an engagement with the company (Gallup, 2004). In the long term, employee engagement has been considered very important because it can provide a competitive advantage for the company and one of the determinants of company success (Vance and Mello, 2015). According to Bakker et al. (2008), employees who have engagement will work hard and think positively so that the employee will complete tasks faster. When employees have an engagement, employees will automatically improve their performance in line with the goals to be achieved by the company.

In addition to employee empowerment and engagement, job satisfaction is now an interesting and important issue not only for employees but also for companies and the community. Job satisfaction is a benchmark for ethical issues that affect the company's reputation in the modern business community. Many communities in various countries monitor the rankings of the best companies that can provide job satisfaction for their employees because job satisfaction can lead to improved performance so that satisfied employees will be more productive (Gibson et al. 2000).

In the life and performance of the company, organizational commitment is also a key requirement to maintain the company's survival. Organizational commitment becomes important for the company because the company can understand the extent to which employee loyalty connects itself to the company and strives to maintain the employees' membership in the company in the future. The organizational commitment needed now is the commitment of the totality of all company members for the existence and interests of the company. Employees who are highly committed to the company tend to be more stable, loyal, work as best and as productive as possible to provide more benefits to the company (Newstrom, 2011).

Increasingly fierce business competition led the government to conduct business consolidation in 2014 through the establishment of a holding State-Owned Enterprise (SOE) company in the plantation sector of PT Perkebunan Nusantara V (PTPN V), which is a subsidiary of holding state-owned company PT Perkebunan Nusantara III (Persero) or PTPN III (Persero), based on the Government Regulation (PP) No 72 of 2014. Even in 2015, after consolidating all PTPN, despite sales reaching Rp 37 trillion, PTPN III (Persero) suffered a total loss of around Rp 615 billion. Out of the 14 PTPNs, only six companies obtained profits, including PTPN III, PTPN IV, and PTPN VI, while as many as 8 PTPN suffered losses. This loss increases every year. PTPN's current productivity level averages 18.5 tons per hectare, still far lower than the productivity of private plantations which reaches 24 tons per hectare. In addition to productivity issues, PTPN's average selling price or Cost of Goods Sold (HPH) is still 35 percent higher compared to competitors (Tempo, 2016).

PT Perkebunan Nusantara V (PTPN V) is a subsidiary of PTPN III. The main commodities are oil palm and rubber; all working areas are in Riau Province. As a state-owned plantation company, since joining PTPN III (Persero) in 2014, PTPN V tried and participated together with the holding to establish a corporate transformation program (corporate turnaround) as PTPN V's policy direction going forward. The transformation of the company aims to make the company more efficient and able to compete with private plantation companies. Of the five transformation programs carried out by PTPN V, one of the transformation programs is in the field of human resources by conducting organization and human resources restructuring (PTPN III, 2014).

This research highlights the performance of PTPN V as a plantation sector SOE, just like how various business and community groups highlighted other sectors SOEs. In fact, various mass media highlight and often report on the poor performance of all state-owned companies. The bad stigma is generally directed at employees in almost all plantation SOEs. The level of performance of SOE employees and companies, in general, has not reached the standards of professionalism as the performance of employees and companies of the national private plantations. To improve the SOE

employees' performance, it is important to investigate the empowerment, employee engagement, job satisfaction and organizational commitment in the current state-owned plantations.

Several related studies have been conducted previously by Arifudin et al. (2018); which states that empowerment has a positive and significant effect on job satisfaction, and job satisfaction has a positive and significant effect on performance. Nongkeng et al. (2012); empowerment has a direct and significant effect on organizational commitment. Mahayani (2016); Empowerment has a significant positive effect on job satisfaction. Rahman and Dewanto (2016) show that employee engagement influences job satisfaction, and Indayati et al. (2012) said that there is a significant positive influence between employee engagement on organizational commitment. Besides that, there is a significant positive effect on organizational commitment to performance.

From several previous studies, the difference with this research is that we investigated the research site, namely afdeling as the smallest unit of PTPN V. Afdeling is the smallest unit in the plantation area which is the most important production unit as a producer of raw material Crude Palm Oil (CPO) and latex. Afdeling is an administrative area as well as a work unit that manages 500-1000 hectares of agronomic crops. The dynamics of the performance of plantation companies depend directly on the overall performance of afdeling. Afdeling performance is a determinant of the company's performance.

The objectives of this study are to (1) analyze the effect of empowerment on job satisfaction; (2) analyze the effect of empowerment on organizational commitment; (3) analyze the effect of employee engagement on job satisfaction; (4) analyze employee engagement to organizational commitment; (5) analyze the effect of job satisfaction on performance; and (6) analyze the effect of organizational commitment on performance. The scope of this research is focused only on the employees of PT Perkebunan Nusantara V Riau in the afdeling unit. This study discusses five variables: (1) empowerment, (2) employee engagement, (3) job satisfaction, (4) commitment organization, and (5) performance.

METHODS

The study was conducted at PT Perkebunan Nusantara V in Riau Province, with data collection time from October to November 2018. The data used are primary data and secondary data. Primary data are in the form of questionnaire results from respondents and the result of interviews. Secondary data was obtained from the head office and PTPN V units and other data related to research topics from various sources.

The sample in this study were employees who were in an afdeling unit of PT Perkebunan Nusantara V. This study took a sample of 360 respondents from 480 populations. The sampling technique used in this study was purposive sampling with non-random sampling, namely leadership employees (class IIIA-IVD) and implementation employees (IA-IID group) at the supervisor level of the afdeling. This research was conducted by the survey technique. Collected data is processed and analyzed with descriptive analysis and Structural Equation Modeling analysis with the Partial Least (SEM PLS) program.

Based on the background, research objectives, theoretical basis, and previous research studies, we developed and compiled a framework model that functions as a guide to the flow of thought and the basis of this research, as presented in Figure 1. The conceptual framework of this research begins with the company's vision and mission PTPN V. The conceptual framework also explains the relationship between variables.

To determine the effect of employee empowerment and engagement on job satisfaction and organizational commitment and its impact on PTPN V's performance, the hypothesis is formulated as follows:

Hypothesis 1:

- H0 : Empowerment does not affect job satisfaction
- H1 : Empowerment influences job satisfaction

Hypothesis 2:

- H0 : Empowerment does not influence organizational commitment
- H1 : Empowerment influences organizational commitment

Hypothesis 3:

- H0 : Employee engagement does not affect job satisfaction
- H1 : Employee engagement influences job satisfaction

Hypothesis 4:

- H0 : Employee engagement does not affect organizational commitment
- H1 : Employee engagement influences commitment organizational

Hypothesis 5:

- H0 : Job satisfaction does not affect performance
- H1 : Job satisfaction influences performance

Hypothesis 6:

- H0 : Organizational commitment does not affect performance
- H1 : Organizational commitment 1 affect the performance

The operationalization of the variables to be measured in this study consists of (1) independent variables: empowerment is measured using The Psychological Empowerment Instrument (PEI) developed by Spreitzer (1995) consisting of 4 dimensions with 12 indicators and employee engagement measured by using The Gallup Q12 Index (Gallup, 2004) consisting of 4 dimensions with 12 indicators; (2) intervening variables: job satisfaction is measured using the Job Descriptive Index (JDI) instrument proposed by Luthans (1997) consisting of 5 dimensions with 26 indicators and organizational commitment measured using Commitment Organization Questionnaires (COQ) developed by Meyer and Allen (1991) consists of 3 dimensions with 12 indicators; (3) the dependent variable is performance consisting of 3 indicators.

RESULTS

Characteristics of Respondents

The initial process of this study was to conduct a descriptive analysis of the characteristics of respondents based on their position, years of service, previous education, and age. In this study, there were 360 respondents, both leadership employees and implementation employees who were at the supervisor

level, to get a true picture of how the characteristics of respondents affect employee perceptions of research variables. Data collection was conducted through filling out questionnaires regarding position, tenure, previous education and age. Respondents' positions are divided into two major groups, namely lead employees (4%) and executive employees (96%). The working period of respondents is under ten years (14%) and above ten years (86%). The previous education of respondents consists of education at the elementary, junior high, and high school level or equals (92%) and tertiary institutions such as D3, S1 and S2 (8%). Respondents' age was below 40 years (26%), 41-50 years (54%) and in over 51 years (20%).

SEM analysis of PLS in this study uses two sub-models, namely the measurement model (outer model) and

the structural model (inner model). Evaluation of the measurement model is carried out to assess the validity and reliability of the model. This study uses reflective indicators through convergent and discriminant validity, composite reliability, and Cronbach alpha for the indicator blocks. Evaluation of structural models or inner models aims to predict relationships (causality test) between latent variables (hypothesis testing). The inner model is evaluated for the magnitude of the percentage of variance by looking at the R-Square value for endogenous latent constructs, a test to test predictive relevance and average variance extracted (AVE) for predictiveness by using resampling procedures such as bootstrapping to obtain stability from estimation (Latan and Ghozali, 2012). Measurement models and structural models resulting from SEM PLS processing are presented in Figure 2.

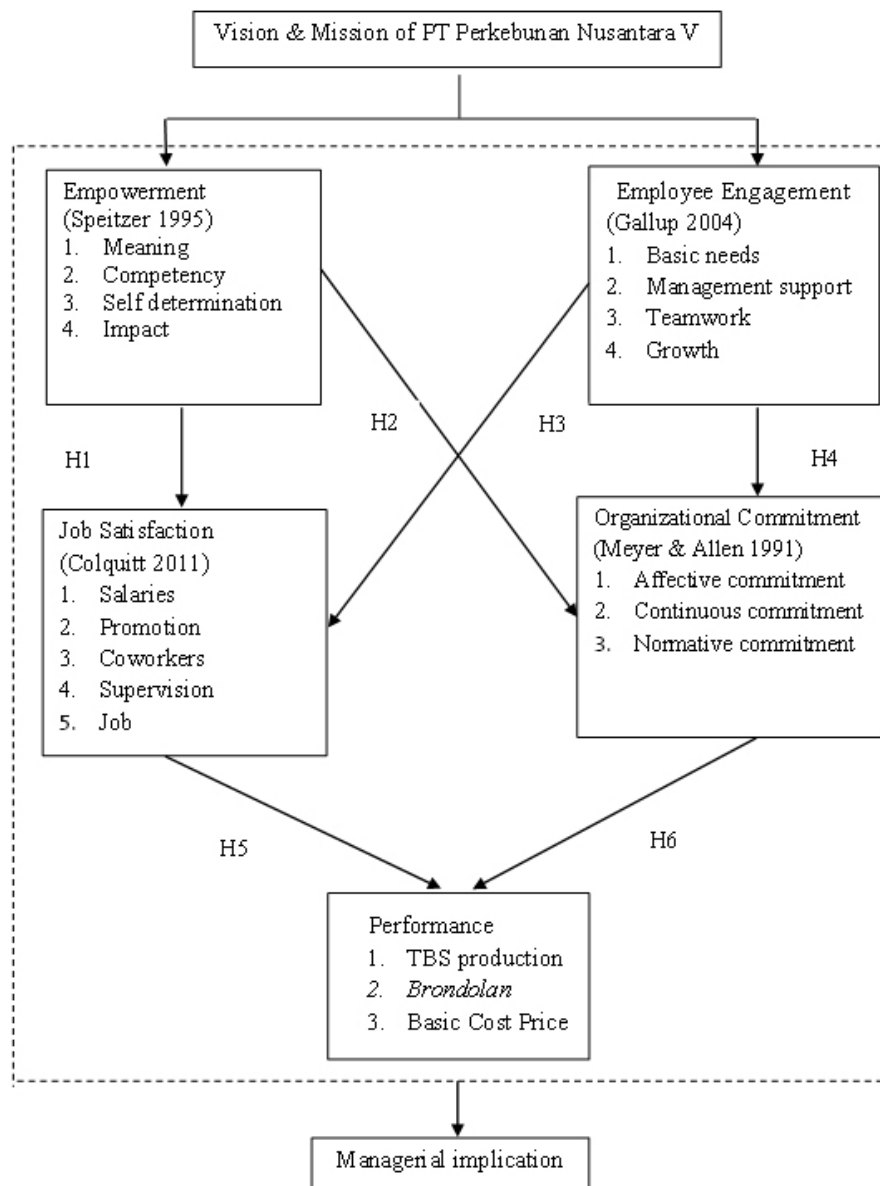


Figure 1. Research framework

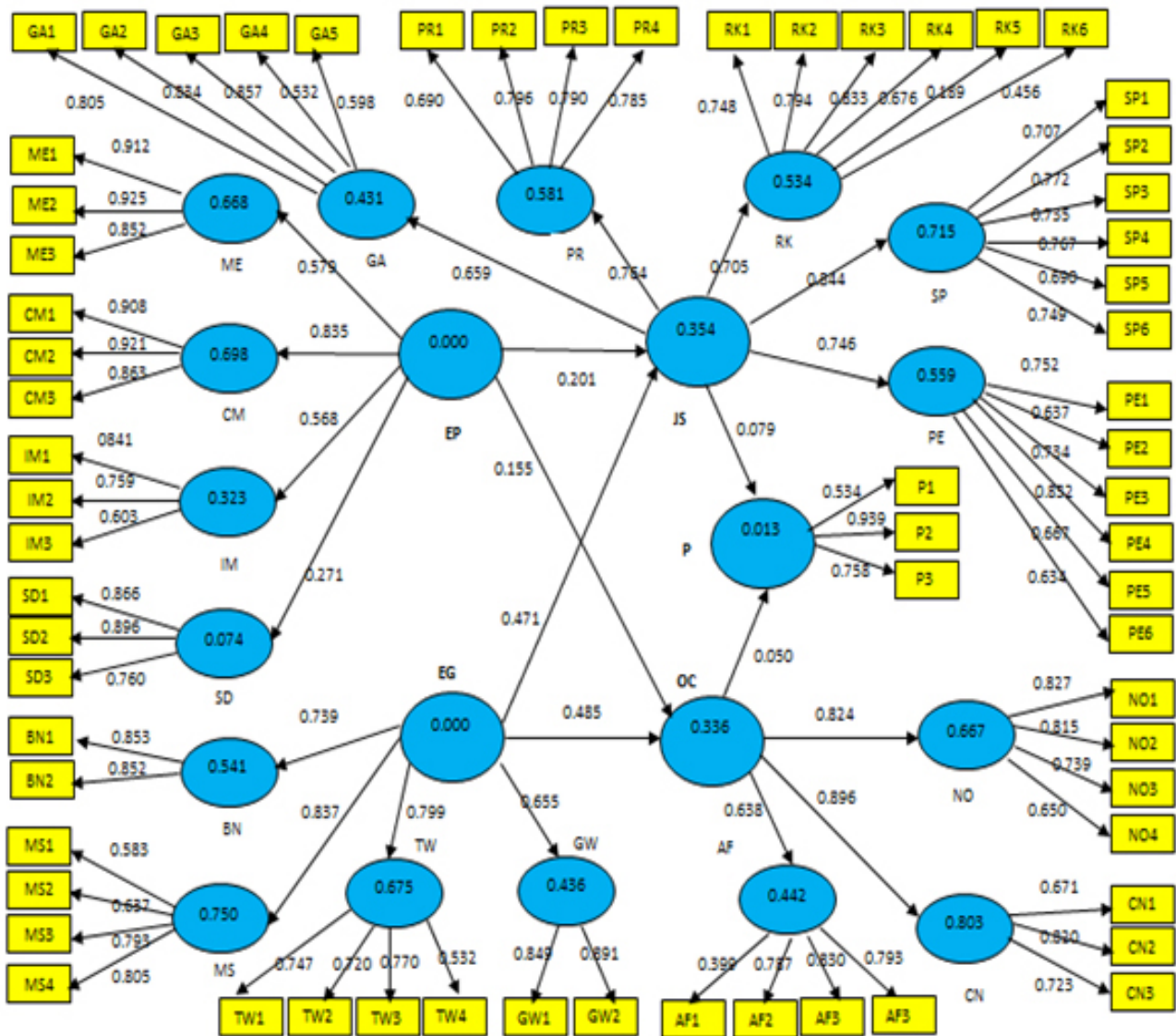


Figure 2. Measurement model and structural model of SEM PLS analysis

Evaluation of the Measurement Model

Evaluation of the measurement model is carried out to analyze the validity and reliability of the indicators involved in the model. Validity in SEM PLS consists of two types, namely convergent validity and discriminant validity. In the validity test, the provisions of the loading factor and value average variance extracted (AVE) is at least 0.50. Reliability in SEM is measured based on composite reliability and Cronbach alpha, with the provisions of composite reliability and Cronbach alpha that is considered satisfactory is > 0.70 (Latan and Ghazali, 2012). The AVE values, the composite reliability, and the Cronbach alpha are presented in Table 1.

Evaluation of Structural Models

The determinant coefficient (Test R²) and t-value are used to evaluate structural models. The value of R² is used to measure the degree of variation of the change of independent variables on the dependent variable, while the t-value reflects the significance of the effect of latent variables in the measurement model on hypothesis testing. Analysis of inner models or analysis of the structural model is conducted to ensure that the structural model is robust and accurate (Latan and Ghazali, 2012).

Based on Table 2, the R-Square value of the latent variable of job satisfaction is 0.358, meaning that the latent variable of job satisfaction can be explained by the variable of job satisfaction by 35.8 percent, while the other 64.1 percent is explained by other variables not

examined in this research model. The R-Square value of the latent variable of organizational commitment is 0.336, meaning that the latent variable of organizational commitment can be explained by the variable of organizational commitment by 33.6 percent, while the other 66.4 percent is explained by other variables not examined in this research model. The R-Square value of the latent performance variable is 0.013, meaning that the latent variable of performance can be explained by the variables of empowerment, employee engagement, job satisfaction and organizational commitment of 1.30 percent, while 98.7 percent is explained by other variables not examined in this model. According to Latan and Ghozali (2012), the R-Square value for job satisfaction and organizational commitment is categorized into a strong model group (a value between

0.33-0.67) while the R-Square value for performance is categorized in the medium model category (a value between 0.19-0.33). Values below 0.19 are categorized as weak models.

The final stage for the evaluation of the overall model is by calculating the value of the Goodness of Fit (GoF) which is used to indicate whether a model is fit. The calculation of the GoF is based on the square root value of the value average communality index and the average R-Square. Based on the calculation, the value of the GoF obtained is 0.538. This means that the overall research model is in the category of large GoF or the overall quality of the model fit is included in the large category because the value is above 0.36 (Latan and Ghozali, 2012).

Table 1. Composite reliability and Cronbach alpha

	AVE	Composite Reliability	Cronbach Alpha
Empowerment		0.834	0.789
Meaning	0.804	0.925	0.878
Competency	0.806	0.926	0.879
Self determination	0.549	0.880	0.799
Impact	0.710	0.782	0.584
Employee Engagement		0.863	0.827
Basic needs	0.727	0.842	0.624
Management support	0.561	0.779	0.623
Teamwork	0.602	0.787	0.635
Growth	0.757	0.862	0.682
Job Satisfaction		0.920	0.908
Salaries	0.698	0.920	0.891
Promotion	0.587	0.850	0.764
Coworkers	0.585	0.790	0.673
Supervision	0.544	0.877	0.832
Job	0.508	0.860	0.804
Organizational Commitment		0.862	0.824
Affective commitment	0.652	0.798	0.662
Continuous commitment	0.559	0.835	0.735
Normative commitment	0.579	0.845	0.753
Performance	0.580	0.798	0.666

Table 2. Coefficient of Determination determination (R-Square)

	R Square	Category
Job Satisfaction	0.358	Strong
Organizational Commitment	0.336	Strong
Performance	0.013	Weak

Hypothesis Testing

Hypothesis testing in this study was carried out through the bootstrapping procedure. The criteria used in hypothesis testing is if t-value > 1.96, the hypothesis is accepted, or vice versa. The magnitude of influence between variables is shown by the loading factor value between the variables. The results of bootstrapping procedures are presented as a result of hypothesis testing in Table 3.

Effect of Empowerment on Job Satisfaction

Based on Table 3, the results of this study empirically indicate that there is not enough evidence to state that there is a significant influence on employee empowerment at PTPN V on increasing job satisfaction. This is in line with the research of Chasanah (2008) and Nongkeng et al. (2012) which shows that empowerment has no significant effect on job satisfaction. The results of this study are not in line with research studies conducted by Wang and Lee (2009); Joo and Shim (2010); Akbar et al. (2011); Hasmi (2012); Mahayani (2016); and Arifudin et al. (2018) which states that empowerment significantly affect job satisfaction. Based on the results of this study, the first hypothesis (H1) namely empowerment affects job satisfaction is rejected.

Effect of Empowerment on Organizational Commitment

Based on Table 3, the results in this study indicate there is no effect of empowerment on organizational commitment. This is the same as the study of Ambad (2012), which states that psychological empowerment has no significant effect on organizational commitment. The results of this study are not consistent with previous

studies such as those conducted by Liden et al. (2000) and Mahayani (2016) which states that empowerment has a significant effect on organizational commitment. Based on the results of this study, the second hypothesis (H2) namely empowerment affects organizational commitment is rejected.

Effect of Employee Engagement on Job Satisfaction

Based on Table 3, the results of the study show that employee engagement has a positive and significant effect on job satisfaction. This means that the higher employee engagement, the higher job satisfaction. The results of this study are consistent with the results of the analysis and discussion conducted by Widjaja et al. (2010); Rahman and Dewanto (2016) show that employee engagement has a significant effect on job satisfaction. Based on these results, the third hypothesis (H3) namely employee engagement affects job satisfaction is accepted.

Effect of Employee Engagement on Organizational Commitment

Based on Table 3, the results of the hypothesis indicate that there is a significant influence on employee engagement to organizational commitment. This means that the higher employee engagement, the higher the organizational commitment. This is consistent with the statement of the study conducted by Indayati et al. (2012), Abbas and Ikhlas (2014), that there is a significant influence between employee engagement variables on organizational commitment. Based on the results of this study, the fourth hypothesis (H4), namely employee engagement influences organizational commitment.

Table 3. Hypothesis testing

Hypothesis	LF	T-value	Conclusion
Empowerment → Job Satisfaction	0.201	1.902	rejected
Empowerment → Organizational Commitment	0.155	1.176	rejected
Employee Engagement → Job Satisfaction	0.471	4.924	accepted
Employee Engagement → Organizational Commitment	0.485	4.852	accepted
Job Satisfaction → Performance	0.079	0.491	rejected
Organizational Commitment → Performance	0.050	0.264	rejected

Effect of Job Satisfaction on Performance

Based on Table 3, the results of the hypothesis in this study indicate that empirically there is not enough evidence to state that there is an influence of job satisfaction variables on performance. This shows that organizational commitment to employees does not affect performance. The results of this research are in accordance with the results of research conducted by Asthu (2016); Devi (2009) and Nongkeng et al. (2012) which show that the organizational commitment variable has no significant effect on performance. This means that even though organizational commitment increases, performance does not increase. Based on the results of this study, the fifth hypothesis (H5) namely job satisfaction influences organizational commitment is rejected.

Effect of Organizational Commitment on Performance

Based on Table 3, the results of the hypothesis in this study indicate that empirically there is not enough evidence to state that there is an influence of job satisfaction on performance. This shows that regardless of job satisfaction is high or low, it does not affect PTPN V employees' performance. The results of this research are in accordance with the results of research conducted by Asthu (2016) and Nurwati (2013) showing that job satisfaction does not have a significant effect on performance improvement. Based on the results of this study, the sixth hypothesis (H6) namely organizational commitment influences performance is rejected.

Managerial Implication

Research shows tangible evidence that employee engagement is important in the company because good employee engagement can increase job satisfaction and organizational commitment. In employee engagement, company management needs to pay attention and improve successively dimensions of employee engagement, starting from management support and followed by teamwork, basic needs, and finally, growth.

Management support becomes the most important factor in employee engagement by giving praise, support and appreciation for work results and the presence of employees in the environment where they work both from superiors and colleagues because it can encourage employees to work optimally every day. Furthermore,

management must make improvements to the dimension of overall growth. Improvement of overall growth dimensions can be achieved by management through providing full support for each employee in order to optimize his/her full potential in completing the tasks in accordance with his/her authority and responsibilities properly so that the employee can grow and develop in line with company progress.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Empowerment has no significant effect on job satisfaction. The t-test result was 1,902, which was smaller than the t-table (1,960) at the 5% significance level. This means that increasing employee empowerment in afdeling does not affect increasing job satisfaction.

Empowerment has no significant effect on organizational commitment. The t-test result was 1,176, which was smaller than the t-table (1,960) at the 5% significance level. This means that increasing employee empowerment in afdeling does not affect organizational commitment.

Employee engagement has a positive and significant effect on job satisfaction. The t-test result was 4,924, greater than the t-table (1,960) at the 5% significance level. This means that the higher the employee engagement, the higher the increase in job satisfaction. Employee engagement has a positive and significant organizational commitment. The t-test result was 4,852, which was greater than the t-table (1,960) at the 5% significance level. This means that the higher the employee engagement the higher the increase in organizational commitment

Job satisfaction and organizational commitment do not have a significant effect on performance. The t-test result were 0,490 and 0,264 respectively, smaller than the t-table (1,960) at the 5% significance level. This means that the two variables do not affect in improving performance.

The performance of afdeling units seems to be more influenced by other factors outside the research variables. The structural model of performance

produces R-Square at 1.3%. This means that the diversity of performance that can be explained by the model is 1.3%, while other factors outside the model explain the remaining 98.7%.

Recommendations

Further research needs to be conducted outside the variables studied because the diversity of performance cannot be explained by the research variables (98.7% outside the model). The sample needs to include all units from afdeling, plantation, district and head office. By adding and using other variables that indeed affect performance, the research would be more comprehensive and in accordance with the objectives.

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