

# The Influence of Organizational Commitment and Employee Engagement on Employee Performance and its Impact on the Performance of Pt Sinar Desa

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**ABSTRACT:** This study aims to examine the effect of organizational commitment and employee engagement on employee performance and its impact on the performance of PT Sinar Desa. The population in this study were all employees of PT Sinar Desa, totaling 155 employees. The sample was determined using the census technique where the entire population was sampled. Data were processed using Structural Equation Modeling (SEM) through AMOS for direct effect tests and the Sobel calculator for indirect effect tests. The results showed that organizational commitment, employee engagement, and employee performance affect organizational performance, and also Employee performance mediates the organizational commitment and employee engagement effect on organizational performance partially. These results prove that the performance improvement model of PT. Sinar Desa is a function of increasing the commitment and engagement of its employees so that it can help improve employee performance. This model explains premises that can contribute academically to the development of theory in the field of companies and can be a practical basis for developing business strategies, especially regarding the variables being tested. Research limitations lie in the variables studied. From the survey data, several results can be recommended for the research subject.

**Keywords:** Organizational Commitment, Employee Engagement, Employee Performance, Organizational Performance

## I. Introduction

Performance serves as a measuring tool to evaluate the success or failure of organizational goals. It is defined as the level and results of achieving processes such as activities, programs, and policies that align with the organization's strategic scheme, such as goals, objectives, vision, and mission, to build a strong organization. The performance level can be assessed by the extent to which the organization achieves the goals established in its strategic planning. This definition is also supported by (Mahsun, 2012), which describes performance as the level of achievement or results obtained from implementing activities, programs, and policies to realize an organization's strategic plans, such as goals, objectives, vision, and mission.

PT Sinar Desa is one of the successful and large companies in Aceh, engaged in shipping expedition services and fishing motorboats in Krueng Aceh, precisely in Lampulo. It was born in 1936 in Leupung village, Aceh Besar Regency. PT Sinar Desa has 155 employees consisting of various groups according to their respective responsibilities. Its overall performance also does not show good numbers, showing inconsistent figures. For the 2017-2021 period experienced fluctuations whereas in 2021 the performance decreased by -3.42 percent from 2020. The following is the performance of PT Sinar Desa for the 2017-2022 period.

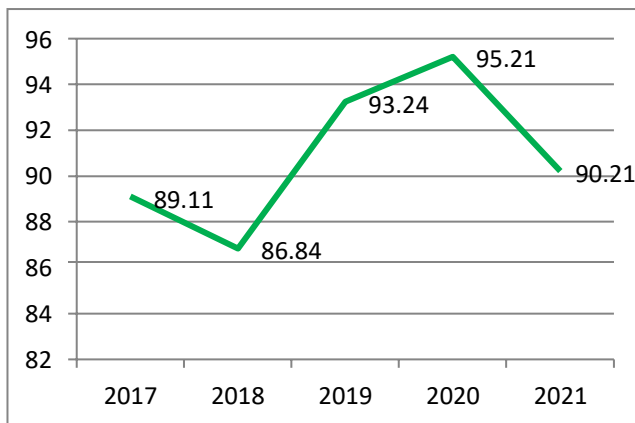


Figure 1. Performance of PT Sinar Desa in 2017-2022

Successful performance is achieved through the implementation of activities, programs, and policies outlined in an organization's strategic scheme. This is done to build a strong organization (Bastian, 2014). It also can be determined by how well the organization can accomplish its set goals, objectives, vision, and mission. The pre-survey shows respondents perceived the organizational performance of PT Sinar Desa to be good, with an average value of 3.85, which falls under the good category ( $3.85 > 3.41$ ). However, there are still indicators with low average values, suggesting that PT Sinar Desa has not been able to fully support each of its employees, explaining the organization's performance is not yet optimal. In a dynamic organization, employee performance is one of the references for the realization of the vision and mission that has been set. This will have a very significant impact on the success of an organization. (Bernardin & Russell, 2013) define performance as a result that applies to a job. Employee performance refers to the achievement of an employee while carrying out their assigned duties and responsibilities. Improving employee performance can have a positive impact on the organization as it helps to achieve organizational goals efficiently and effectively (Mathis & Jackson, 2019) also states that employee performance can help explain why people want to stay in the organization or leave the organization. Employee performance is a manifestation of work carried out to achieve better or more prominent work results toward achieving organizational goals. Employee performance is the outcome of the work accomplished by an organization while fulfilling its duties and responsibilities. It serves as a benchmark to evaluate whether a job has been done well or not. According to the results of the pre-survey, respondents perceive employee performance to be good, as the average value is 3.66, which falls under the good category ( $3.66 > 3.41$ ). However, there are still indicators that have a low average where the results of employee work cannot be measured following the target of effective use of the cost budget. This shows that employee performance is still not maximized.

One of the key factors that impact organizational performance is Organizational Commitment. Organizational commitment measures the degree to which employees are inclined to remain a part of the organization. It is a vital aspect of behavior that enables us to gauge an employee's level of identification and connection to the organization. Employees with high commitment possess a different attitude than those with low commitment. Those who are highly committed to the organization tend to put in all their efforts to enhance its growth. According to a study by (Kashefi et al., 2014), organizational commitment has a significant influence on organizational performance. Another study by (Danayasa, Kawiana, & Oktarini, 2021) also supports this finding, indicating that Organizational Commitment has a direct correlation with organizational performance. The pre-survey found that employee engagement is perceived to be good by the respondents with an average value of 4.04, which falls in the good category ( $4.04 > 3.41$ ). However, some indicators still have a low average, indicating that companies rarely involve their employees in policy-making and problem-solving. This suggests that employee engagement still needs improvement. Moreover, employee engagement is one of the key factors that impact organizational performance. Employees are unique assets, and their loyalty needs to be maintained through special treatment. Employee engagement is an effective way to increase employee loyalty, which reduces their desire to leave the company voluntarily. Positive feelings and high enthusiasm towards work can be referred to as employee engagement. According to (Idayanti, Ayu, & Piartrini, 2020), employee engagement has a positive effect on improving organizational performance. Based on the pre-survey results, it is also evident that employee engagement is perceived to be good by the respondents with an average value of 3.79, which falls in the good category ( $3.79 > 3.41$ ). However, some indicators still have a low average, indicating that the incentives provided to the employees are still insufficient. Therefore, there is still a need for improvement in employee engagement.

## **II. Literature**

### **Organization Performance**

Organizational or company performance is a crucial metric for managers and entrepreneurs to evaluate the success of their business. It is an indicator of the level of progress and accomplishment that can be attained within a company. Performance is the consequence of the actions taken by the members of an organization collectively. In simpler terms, it is the result that an organization aims to achieve through the behavior of its members. (Muis, Jufrizen, & Fahmi, 2018) revealed that the performance of an organization is the outcome of the work carried out by individuals or groups within the organization while adhering to their responsibilities and following the legal and ethical norms of the organization. (Dessler, 2020) explains that performance is a standard that includes a series of objectives that the organization hopes to attain through its employees based on their main tasks, functions, and responsibilities assigned to them. In essence, organizational performance depends on the collective efforts of all members of an organization, and it is influenced by various factors, including individual motivation, work environment, leadership, and the organization's culture, to name a few. (Thoyibatun, 2012) explains that performance indicators are measures, both quantitative and qualitative, that describe the level of achievement of set goals or objectives. These goals or objectives are established by considering various indicator elements, namely Input, Output, Outcome, Benefit, and Impact.

### **Employee Performance**

Every employee in the organization is expected to contribute positively through good performance. This is because the performance of the organization depends largely on the performance of its employees (Gibson, Ivancevich, & Konopaske, 2012). Performance is a crucial aspect of organizational behavior that plays a direct role in the production of goods or the delivery of services (Admin\_prokomsetda, 2019). Typically, performance is measured in terms of task achievement, where tasks refer to the activities required by workers. According to (Nurjaya, 2021) definition, performance refers to the extent to which a person or an organization has accomplished a set of tasks. In the context of an organization, performance can be measured by the degree of success in achieving its objectives. This means that organizational performance represents the level of accomplishment in realizing the goals and objectives of the organization. In other words, it is the extent to which an organization has fulfilled its mission, met its targets, and achieved its strategic goals. Measuring organizational performance is crucial for organizations as it helps them assess their effectiveness, identify areas for improvement, and make informed decisions to enhance their overall performance. (Putri & Onsardi, 2020) defines performance as the outcome of an individual's or group's job function in an organization over a specific period, which reflects how well the person or group meets the job requirements to achieve organizational goals. This implies that a person's or group's ability to achieve organizational objectives through efficient use of resources and effective implementation of job responsibilities is a determinant of their performance. Similarly, (Lilyana, Yusa, & Yatami, 2021) state that performance is the result of completing tasks and fulfilling responsibilities within a specific timeframe. This means the ability to accomplish assigned tasks and responsibilities within the required time frame is crucial in determining performance. In summary, performance is a critical aspect of organizational success, and it is determined by an individual's or group's ability to meet job requirements and achieve organizational goals. (Afandi, 2018) reveals the indicators of Employee Performance are Work quantity, Work Quality, Efficiency, Discipline, Initiative, Thoroughness, Leadership, Honesty, and Creativity.

### **Organizational Commitment**

(Köse & Köse, 2017) define organizational commitment as a crucial aspect of employee engagement and retention. It refers to the level of attachment, loyalty, and trust that employees have towards their organization. This attachment is based on the employees' belief in the organization's vision, mission, and values. It is a feeling of identification with the organization that motivates employees to participate actively in developing the business. According to (Siregar, Luddin, & Suyatno, 2019), organizational commitment is a multi-dimensional concept that includes emotional attachment, normative commitment, and continuance commitment. Emotional attachment refers to the positive feelings that employees have towards their organization, such as loyalty, affection, and pride. Normative commitment is based on the employees' belief in the organization's values and moral obligations, such as a sense of duty and responsibility. Continuance commitment is based on the employees' perception of the costs associated with leaving the organization, such as the loss of benefits and seniority. Commitment has a significant impact on employee behavior and performance. Employees who are committed to their organization are more likely to stay with the organization, work harder, and be more productive. They are also more likely to be engaged in their work, have positive attitudes towards their colleagues and leaders, and provide better customer service. Organizations need to foster a culture of commitment by providing employees with a clear understanding of the organization's vision, mission, and values. Organizations can also promote commitment by recognizing and rewarding employees for their contributions and fostering a positive work environment.

By doing so, organizations can build a committed and motivated workforce that contributes to their success and growth. There are five Indicators of Organizational Commitment according to (Danayasa et al., 2021), namely:

1. A strong belief in the company's career.
2. Level of engagement on company issues.
3. Level of interest in the company.
4. Strive to be part of the company
5. What the company means to employee

### **Employee Engagement**

Employee engagement, also known as employee attachment, is a critical aspect that employers must prioritize. It refers to the willingness that employees exhibit towards their work and their direct involvement in it. Employee engagement is not just about being present at work, but it involves mobilizing all the skills and abilities they possess to execute their job responsibilities effectively. (David, David, Puspasari, & Puspitasari, 2016) suggests that another way to understand employee engagement is to consider the intensity with which individuals who are actively involved in their work identify themselves psychologically with their jobs. This means that employees do not just see their job as a means of earning an income, but they understand how their work fits into the bigger picture of the organization. Engaged employees take pride in their work and feel a sense of accomplishment when they succeed. They realize that their work performance is crucial for their self-esteem and are thus fully invested in it. Engaged employees are also more likely to remain loyal to their organization and contribute positively to its success. In conclusion, engagement is a critical factor for organizational success. Employers must create a conducive environment by providing opportunities for growth, recognizing employee contributions, and promoting work-life balance. According to (Handoyo & Setiawan, 2017), there are several indicators of employee engagement: Work environment, Leadership, Team and coworker relationships, Training and career development, Compensation, Organization policy, and Work well-being.

### **III. Method**

It is necessary to clearly define the population to be studied before commencing research. For this particular study, the population comprised all 155 employees of PT Sinar Desa. The sample was selected using a census technique, which involved using the entire population as the sample. Data analysis was conducted using the Structural Equation Modeling (SEM) from AMOS for the direct effect test, and the Sobel calculator for the indirect effect test. The hypotheses that need to be tested are as follows.

H1 : Commitment affects Employee Performance

H2 : Engagement affects Employee Performance

H3 : Commitment affects Organizational Performance

H4 : Engagement affects Organizational Performance

H5 : Employee Performance affects Organizational Performance

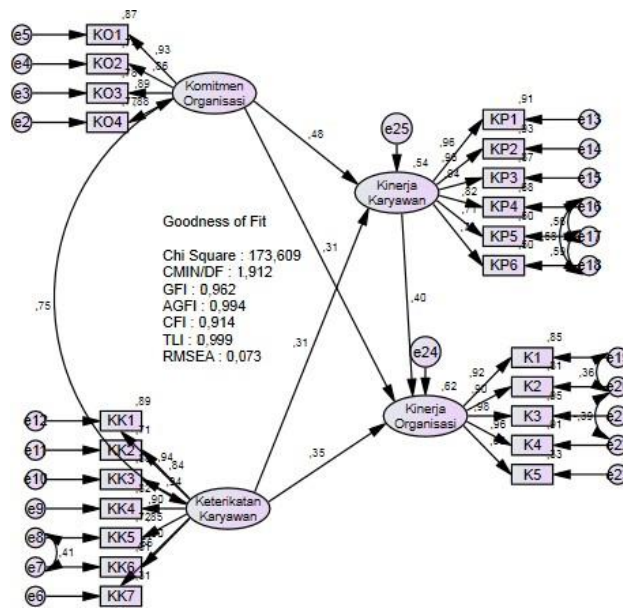
H6 : Organizational Commitment affects Organizational Performance Through Employee Performance

H7 : Organizational Engagement affects Organizational Performance Through Employee Performance

### **IV. Result**

**Tested Model**

The SEM model analysis are displayed in Figure 2 after data processing.



**Figure 1.**  
**Tested Model**

**Hypothesis Test Result**

Hypothesis testing in this study was carried out based on the *Critical Ratio* (CR) below.

**Table 1. Regression Weight**

| Influence                  |                                | Estimate | S.E.  | C.R.  | P     | R-Square |
|----------------------------|--------------------------------|----------|-------|-------|-------|----------|
| Employee Performance       | <--- Organizational Commitment | 0,477    | 0,106 | 4,856 | 0,000 | 0,540    |
| Employee Performance       | <--- Employee Engagement       | 0,305    | 0,102 | 3,000 | 0,003 |          |
| Organizational Performance | <--- Organizational Commitment | 0,314    | 0,108 | 3,212 | 0,001 |          |
| Organizational Performance | <--- Employee Engagement       | 0,353    | 0,202 | 3,185 | 0,002 | 0,615    |
| Organizational Performance | <--- Employee Performance      | 0,401    | 0,066 | 4,861 | 0,000 |          |

**H1 : Organizational Commitment on Employee Performance**

Commitment on Employee Performance test obtained CR4.856 with p 0.000, meaning Organizational Commitment affects the improvement of Employee Performance. The effect size of Commitment on Employee Performance is 0.477 or 47.7%, explaining the stronger the Organizational Commitment the higher the Employee Performance.

**H2 : Employee Engagement on Employee Performance**

Engagement on Employee Performance test obtained CR3.000 with p 0.003, meaning Employee Engagement affects Employee Performance. The effect size of employee Engagement on Employee Performance is 0.305 or 30.5%, explaining the stronger the Employee Engagement the higher the Employee Performance.

**H3 : Organizational Commitment on Organizational Performance**

Commitment on Organizational Performance test obtained CR3.212 with p 0.001, meaning Organizational Commitment affects Organizational Performance. The effect size of Commitment on Employee Performance is 0.314 or 31.4%, explaining the stronger the Commitment the higher the Organizational Performance.

**H4 : Employee Engagement on Organizational Performance**

Engagement on Organizational Performance test obtained CR3.185 with p 0.002, meaning Employee Engagement affects Organizational Performance. The effect size of Employee Performance on Organizational

Performance is 0.353 or 35.3 %, explaining the stronger the Engagement the higher Organizational Performance.

**H5 : Employee Performance on Organizational Performance**

Employee Performance on Organizational Performance test obtained CR 4.861 with p 0.000, meaning Employee Performance affects Organizational Performance. The effect size of Employee Performance on Organizational Performance is 0.401 or 40.1%, explaining the higher the Employee Performance the higher the Organizational Performance.

**H6 : Organizational Commitment on Organizational Performance through Employee Performance**

From the calculation of the Sobel test, the result is 3.578 with p 0.000. Thus, Employee Performance acts as a variable that mediates Organizational Commitment influence on Organizational Performance. So, because Employee Performance affects and acts as a mediating variable, Organizational Commitment affects Organizational Performance, the Employee Performance in mediating the Commitment influence on Organizational Performance is *partially mediating*. Partial explains the Commitment can affect Organizational Performance directly or indirectly (Through Employee Performance).

**Table 2. Sobel Test on H6**

| Input:               | Test statistic:          | Std. Error: | p-value:   |
|----------------------|--------------------------|-------------|------------|
| a 0.560              | Sobel test: 3.57820079   | 0.05023754  | 0.00034597 |
| b 0.321              | Aroian test: 3.54400155  | 0.05072233  | 0.0003941  |
| s <sub>a</sub> 0.106 | Goodman test: 3.61340958 | 0.04974803  | 0.0003022  |
| s <sub>b</sub> 0.066 | Reset all                | Calculate   |            |

**H7 : Employee Engagement on Organizational Performance through Employee Performance**

From the calculation of the Sobel test, the result is 3.857 with p 0.000. Thus, Employee Performance acts as a variable that mediates Employee Engagement influence on Organizational Performance. So, because Employee Performance affects and acts as a mediating variable, Employee Engagement affects Organizational Performance, the Employee Performance in mediating the Employee Engagement influence on Organizational Performance is *partially mediating*. Partial explains the Engagement can affect Organizational Performance directly or indirectly (Through Employee Performance).

**Table 3. Sobel Test on H7**

| Input:               | Test statistic:          | Std. Error: | p-value:  |
|----------------------|--------------------------|-------------|-----------|
| a 0.646              | Sobel test: 3.85743501   | 0.05375748  | 0.0001148 |
| b 0.321              | Aroian test: 3.82753941  | 0.05417737  | 0.0001294 |
| s <sub>a</sub> 0.102 | Goodman test: 3.88804225 | 0.0533343   | 0.0001010 |
| s <sub>b</sub> 0.066 | Reset all                | Calculate   |           |

**V. Conclusion**

This research results reveal that :

- 1) Organizational commitment affects employee performance at PT Sinar Desa.
- 2) Employee engagement affects employee performance at PT Sinar Desa.
- 3) Organizational commitment affects organizational performance at PT Sinar Desa.
- 4) Employee performance affects organizational performance at PT Sinar Desa.
- 5) Employee Engagement affects Organizational Performance at PT Sinar Desa.
- 6) Employee Performance partially mediates the Commitment influence on Organizational Performance at PT. Sinar Desa.
- 7) Employee performance partially mediates the engagement influence on Organizational performance at PT Sinar Desa.

These results prove that the performance improvement model of PT Sinar Desa is a function of increasing the commitment and engagement of its employees so that it can help improve employee performance. This model explains premises that can contribute academically to the development of theory in the field of companies and can be a practical basis for developing business strategies, especially regarding the variables being tested. Research limitations lie in the

variables studied. From the survey data, several results can be recommended for the research subject, namely PT. Sinar Desa.

- 1) For the Commitment, the lowest average value is obtained on often being involved in policy making in problems. This can be a concern for companies to often involve employees in policy making in problems.
- 2) For Employee Engagement, the average value obtained on the indicator of the level of incentive involvement received so far is more than enough. This can be a concern for company management to increase employee incentives.
- 3) For the employee performance, the lowest average value is obtained on having the ability and knowledge to complete the work that has been done. This can be a concern for organizations to provide competency development training for employees.
- 4) For organizational performance, the lowest average value is obtained in the organization being able to prosper each of its employees. This can be a concern for organizations to pay more attention to employee welfare.

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