Influence of Organizational Culture and Leader Member Exchange to Affirmative Action Policy, Diversity and Employee Work Quality at Pt Pelabuhan Indonesia III

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Abstract

This research is intended to identify the causal relations describing the elementary behavioral patterns in a certain company and also to test the existing theory on the organizational culture and the leadership model as well as its impacts to the affirmative action policy, diversity and work quality of the employees. Affirmative action policy have become debated issues in the context of human resource development (HRD), due to its impact to the employee work quality also still debatable. One side, it raises equality among employees, yet, the empirical study claimed that affirmative action policy negatively and significantly correlated to employee work quality. Therefore, it is important to investigate the factos surrounding the affirmative action policy and its implementation, in order that it can be known the strategic ways to implement affirmative action that will give positive impact on employee work quality.

Keywords: Organizational Culture, LMX Leadership, Affirmative Action Policy, Diversity, Work Quality of Employees

Introduction

Human resource is the crucial element for the organization, because its position in establishing of all aspects of organization, either operational or functional. Even, Hariandja (2007) stated that human resource is the main element for the organization, because the other elements such as capital, machines, technology, and raw material cannot be used when there is not human as the executor. Thus, the organization must consider the human resources management practices, especially the practices related to the way to maintain human resources who are employed in the organization in order that those practices can achieve the three key contemporary elements of human resources development (Swanson & Holton III, 2008): performance, quality, and human relations.

Quality itself, nowadays, has been the crucial issues of human resource development (HRD), because basically, in all HRD definitions, models, and practices contains the improvement idea, that is making positive change, attaining expertise, developing excellent quality, and making things better. Further, W. Edwards Deming, estimated that 90 percent of the problems that might be blamed on individuals in the workplace were a result of having them working in bad processes or systems (Swanson & Holton III, 2008). It means that quality of work is resulted from the bad process or system that applied by the organization.

Based on the Learner Perspective of HRD that was developed by Malcolm Knowles, the father of adult learning or andragogy:

"... the worldview of andragogy in practice places adult learning principles into the context of adult life through the perspectives of (1) individual–situation differences and (2) the goals-purposes for learning. The six adult learning principles enveloped by these contextual issues that impact learning, they are learner's need to know, self-concept of the learner, prior experience of the learner, readiness to learn, orientation to learning, and motivation to learn" (Knowles et al., 1998, in Swanson & Holton III, 2008).

This perspective above can be explained that in an organizations, employees learns anything surround them, in which the result of the learning process will be depend on the situational differences, individual differences, subject matter differences, either partially or simultaneously.

Those differences encourage the institutional growth, societal growth, and individual growth. Hence, the HRD practices must consider these aspects of difference and growth in achieving the HRD goals efficiently and effectively.

Related to the types of differences in the organization, HRD practices and policies must have the consideration of perceived diversity internally, in order that the employee cannot find the discrimination issues in the organization. One of the HRD policies that can minimize the discrimination issues that caused by diversity in organization is affirmative action policy. It is the efforts to manage the employee diversity either based on gender, race, ethnic, or religion (Boone & Kurtz, 2007).

Even though the affirmation action policy can be functioned to minimize the discrimination for the employee, but empirically Button et al., (2006) conveyed that affirmative action policy has negative and significant corelation to employee work quality. Therefore, it needs to be investigated further about the affirmative action policyand factors that influence it and employee work quality.

Kagoda (2011) revealed that there was the strong correlation between leadership model and affirmative action policy, because the leadership model can determine the leader attitude in decision making related to the diversity in the organization. Since, leadership model is the exchange and relation between leader and follower, in which the situation of them will influence the quality of relation and exchane of them. As stated by Graen & Uhl-Bien (1995) that LMX Theory included the three interrelational elements of leadership, they are leader, member, exchange. Locke et al., (1999:2) implicitely explained that "effective leaders must know how to inspire and relate to their followers". When both of them build relations reproxically and effectively, the leadership will be effective and finally, will give positive impact to the organization. Beside diversity and leadership, organizational cultureas the organizational code of conduct, either managerial or operational also influence the affirmation action policy. Motileng et al., (2006) revealed that even though affirmative action positively could play a role as a mechanism that provides employment opportunities, but encourage many challenges and obstacles for the employees. Therefore, Motileng et al. Recommended to solve these problems by sustained commitment from organisations to make the function of the affirmative action policy explicit and to create a shared culture in the workplace.

Based on the argumentation above, this paper will reveal the effect of organizational culture and LMX on affirmative action policy, diversity and employee work quality.

Literature Review

Employee Work Quality

Employee work quality is the skill or ability of an employee to do a job right the first time without flaw. It can also be said that this employee quality is the ability to fulfill customer's needs flawlessly. Quality means employee's involvement with the management in focusing all efforts on planning, control, and improvement so that demands are met. Employee work quality is the service effort to meet customer's expectations all the time, even under difficult conditions or environment. In the business world, the theory of employee work quality can be applied in order to eliminate production failure status. The fulfillment will make the production system work well according to initial plan or target (Genichi Taguchi, in Swansburg, 2001).

Work quality is defined as four absolutes. *First,* employee work quality is matching the demands of the management and those of customers. If an employee delivers good work quality first time, then there will be no repeat of the same job. *Second,* quality system is a prevention and not judgment. *Third,* the performance standard is zero defects. The management can make the policy to deliver product without defects or zero flaws because the management refers to numbers in the quality process. *Four,* measurement of work quality is the result of a mismatch, because the employee's work spends half the production cost and the result of mistakes or defaults made. The achievement of these four items by employee's work must be a constant priority. This achievement requires management determination and responsibility from the entire organization. This achievement requires training and education of all employees as a part of organization's continuous formal preparation for the future (Philip B. Crosby, in Swansburg, 2001).

According to Fuad & Ahmad (2009), measurement of human resource quality consists of several dimensions, namely: Congnitive (knowledge, understanding, application of ideas, ability to elaborate, unify and assess) and affective (acceptance, response, value generation, value organization, life characteristics) and psychomotoric (observing, emulating, familiarizing, adapting)

The quality of a worker can be measured by using several indicators of quality proposed by Cao (2010): First, *Performance* (employee performance), which is the *output* or the result of work by the employee. Second, *Features* (employee appearance), which is the physical appearance of the employee, such as neatness. Third, *Reliability* (reliability offered by each person), which is employee's consistency in doing the job. Fourth, *Conformance* (work conformity), which is the compatibility between the work done with the criteria standards set by the company. Fifth, *Durability* (employee's endurance), which is employee's endurance in facing the challenges in work. Sixth, *Service ability* (the ability to serve), which is the employee's ability in delivering service in work. Seventh, *Aesthetics*, which is aesthetics value in the employee's work. Eighth, *Perceived quality or image* (perception of employee's work quality), which is the quality of the employee's work result as accepted by the company, colleagues, and customers.

Organizational Culture

Culture is "the way we do things around here", "the rites and rituals of our company", "the company climate", "the reward system", "our basic values" (Schein, 2009:21). It is also "... a pattern of shared tacit assumptions that was learned by a group as it solved its problems" (27). Naina & Dahlan (2008:28) stated that culture is the psychodynamics process: an expression of unconscious psychological processes as formulated by Linda Smircich as the indivuidual psychological situations such as anxiety, self-esteem, or dogmatism.

Organizational culture is a set of beliefs, values, rituals, stories, myths, and specialized language (either expressed or implied) that maintains a shared sense of community among members of the organization (Kreitner, 2008), and also norms, and artifacts that include how to resolve the problems faced by the members (employees) that exist within an organization (Ferrell et al., 2011). Therefore, in forming a organizational culturethat values respect and appreciation to the unique strengths and cultural differences between colleagues, customers, and communities. In which binds the members of the organization, that forms a pattern of behavior, thought, and the patterns of relationships between members of the organization and between the organization and society.
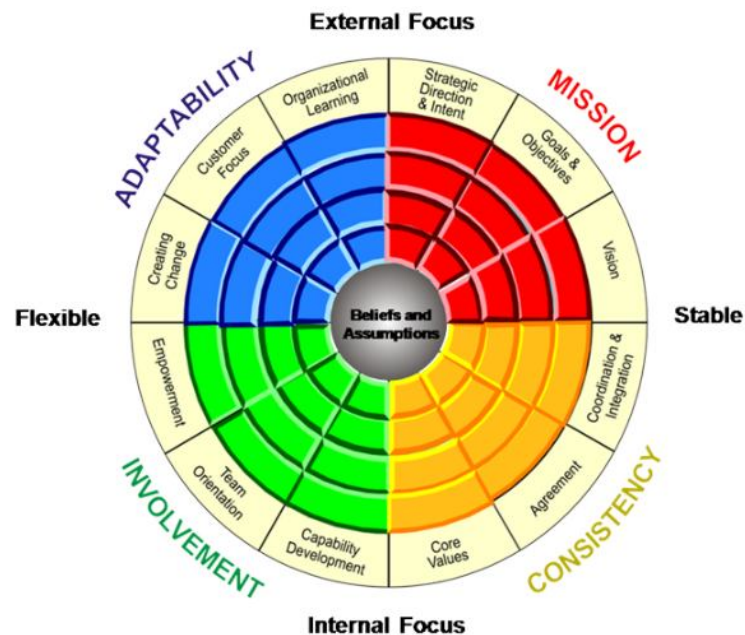
Figure 1: Denison Organizational Culture Model

Figure 1 shows the organizational culturemodel that was developed by in which consists of four dimensions, i.e mission, adaptability, involvement, and consistency. Each dimension is subdivided into three individual measurements, so there are a total of 12 measurements. First, *Creating Change*, High-performance organization welcomes new ideas and willing to take a new approach in doing something. Second, *Customer Focus*, The employee recognizes the need to serve customers, both internal and external. This employee will constantly try to look for new and improved methods in order to meet and exceed customers' expectations. Third, *Organizational Learning*, which means the organization gains knowledge from success and failure. The first reaction when seeing a mistake is not "*who is to blame*?" but "*what can we learn*?"

Fourth, *Strategic Direction and Intent*, basically refers to multi-year strategy, with high priority set for operationalization of vision. Fifth, *Goals and Objectives*, short term goals set to help each employee see whether daily activities are related to company strategies and visions. Sixth, *Vision*, which is the best reason why the business is done, the goal of the company, what is actually wanted to be achieved. Seventh, *Empowerment*, Shows the organization's ability to clarify areas where an employee can make a decision, get an input, or areas outside the scope of the employee's responsibility. Eighth, *Teamwork*, is nurtured in the organization, so that creative ideas will be captured and employees support each other in doing work that needs to be finished immediately. Ninth, *Capability development*, practiced in many ways, including training, teaching, and educating employees on new rules and responsibilities. Tenth, *Core Values*, high-performance organization has clear core values which help employees and leaders make consistent decisions and also behave consistently. Eleventh, *Agreement*, can be achieved through dialog and getting double perspectives on the table. In this case, the high-performance organization will be able to reach an agreement when issues and problems arise. Twelfth, *Coordination and Integration*, employees understand how the job is done and how it impacts others and how other works will also impact his/her work. Employees will not let go of something just like that, but are thoughtful, because employees will convince themselves that the job is coordinated and integrated in order to serve the entire company.

Leadership Model: Leader Member Exchange

Leadership is defined on the basis of talent, character, attitude, influence on other people, interaction pattern, role, function, position, and other people's perception of the legitimacy of the leadership itself. Leadership is the attitude of an individual when directing a group's activity toward a common goal. On Drucker's terms, a leader is 'what makes something becomes itself', making an organization becomes the actual organization. A leader is someone who through his/her own attitude, belief, and words can influence other people's behavior. Subsequently from the word leader, leadership is defined as "*the art of getting others to want to do something that individual is convinced should be done*" (Kouzes and Posner, in Sims, 2002:216).

The leadership theory used in this study is a paradigm that states that leadership is formed on an integrative approach on the basis that: Leadership is a birth gift; Leadership refers to focused, intensive, and continuous leadership education and training; Leadership has hands-on experience occupying a function/position and role of leadership. Meanwhile, the basic character of leadership aims to preserve, strengthen, sharpen, soften, widen, and enrich all main aspects of leadership, namely: personality, vision, and ability. Therefore, someone's leadership is in fact situational, conditional, temporal, and spatial. In other words, leadership theory becomes alternative and subordinative inside the scope of reciprocal relations between the *leader*, *follower*, and the *relationship*. The leadership theory in this study refers to leadership that has three domains, namely *leader (L)*, *follower* or *member* (M), and *relationship* or *exchange* (X), which is then called LMX leadership.

Leader-Member Exchange (LMX) Theory

Graen and Uhl-Bien (1995) explained that leadership has three domains, namely *leader (L)*, *follower* or *member* (M), and *relationship* or *exchange* (X). The existence of those three domains is also explained in the leadership definition proposed by Locke *et al.,* (1999:2) that *leadership* is "*the process of inducing others to take action toward a common goal*". The definition is explained by Locke in three sub-definitions, namely: First, *Leadership is a relational concept*. Leadership only exists if there is a relationship with another person called the *follower*. Theoretically it can be explained that if there is no *follower* then there will be no *leader*. Implicitly, this definition shows that "*effective leaders must know how to inspire and relate to their followers*". Second, *Leadership is a process*. Leadership can only happen if a leader does something to facilitate the leadership process. Third, *Leadership requires inducing others to take action*. A leader influences followers to take action through many ways, such as using legitimation, modeling, *goal-setting*, *rewarding and punishing*, restructurization of organization, team building, and communicating vision.

Tannenbaum & Schmidt developed the *leadership continuum model* in 1958. Lussier & Achua (2010:159) explained that *leadership continuum model* is used to determine the type of leadership chosen by leaders by considering the situation (leader, subordinate, situation/time) to maximize performance. Griffin & Moorhead (2012:333) also explained that behavior *continuum* ranges from extreme behavior of leaders who exercise their authority (*boss-centered leadership*) to extreme behavior of letting employees take their own decisions (*subordinate-centered leadership*).

The following is the *continuum* leadership model developed by Tannenbaum & Schmidt: Each point on the *continuum* is influenced by the characteristic of the manager, subordinate, and situation (Lussier & Achua, 2010:159; Griffin & Moorhead, 2012:333): Managerial characteristics include value system, confidence in subordinates, tendency to fulfill personal wishes, and safety feeling; Subordinate characteristics include subordinate's need of freedom, readiness to receive responsibility, tolerance for ambiguity, interes in problem, understanding goals, knowledge, experience, and hope; Situational characteristics are ones that influence decision-making, which include organization type, group effectiveness, the problem itself, and time pressure.

Leader-Member Exchange (LMX) *theory* is a theory developed by George B. Graen (Graen & Uhl-Bien, 1995) which was started by the development of alternative leadership model called *Vertical Dyad Linkage* (VDL) by Dansereau, Graen, and Haga in 1975. LMX was developed on the basis of the fact that leaders are not attached to an average leadership style with the subordinates, but there are differences between subordinates in forming and directing relationships. This means that in a group of superior-subordinate relationships, some are effectively braided, but some others cannot be established in such a way (Maslyn & Uhl-Bien, 2005). LMX states that leaders have limited personal, social, and organizational resources (for example, energy, time, and personal strength), that leaders do not interact in the same pattern with each of the followers (Graen & Uhl-Bien, 1995). An employee with high LMX quality feels obligated to contribute to advancement of his/her leader's agenda, doing works and assignments at higher difficulty level. As a result, this employee will dedicate more time, effort, and energy compared to his/her colleagues that have lower LMX quality. This is because al lower LMX quality, an employee receives less resource from the leader, and the employee behavior is mostly based on work agreement (Graen & Uhl-Bien, 1995).

Based on the results of some studies, it can be explained that the effect of LMX quality on performance is also determined by the characteristics of the employee's task (Kim & Taylor, 2000; Dunegan *et al* 1992). Besides that, good LMX quality will reduce *communication traits* (Madlock *et al.,* 2007), improve perception of *organizational justice* (Farahbod *et al.,* 2012; Erdogan *et al*, 2006)¸ improve *attachment style* that consists of trust, comfort, and *intimate self confident* (Hsu *et al*, 2010), creating good corporate culture (Erdogan, *et al.,* 2006; Alas, *et al.,* 2011; Kong, n.d), improve group cohesiveness and perceived similarity (Kim & Taylor, 2001), and increase relationship tenure in the organization and reduce the distance with employees (*span leadership*) (Schyns, *et al.,* 2005).

Kirkeby (2000:3) explained that the ideal leader concept is the subject function as a leader who has superiority in many aspects (sterngth, knowledge, information), and only accepted by employees definitely (not formality). Symetrically, the ideal leader shows the existence of relationship between subject (superior and subordinate). Furthermore, Kirkeby elaborated that the function of the ideal leader has instruments different from the management's. The leader's instruments are dialog, teaching, request, attractive, commitment, emphaty, possibility of self identification, understanding, reciprocity, and solidarity. In this case, the ideal leader must not implement domination, because the leader must emphasize on the implication of fundamental relationship between leader and follower. The expected behavior from the relationship is social virtue such as honesty, reliability, cooperation, and responsibility toward others. Based on the functions carried in the leadership, a leader must have the characters of an effective leader. The characteristic of the effective leader is the leader who has the ability to identify and provide the right amount of training to the subordinate (Morgan, 2006:322), has traits like *caring*, *openness*, *flexibility*, *warmth*, *objectivity*, *truthworthiness*, *honesty*, *strength*, *patience*, and *sensitivity*.

Affirmative Action Policy

Affirmative action policy is the policy related to affirmative action, that is the effeorts of organization in managing diversity, including gender, race, religion, and ethnic in order to minimize discrimination behavior (Boone & Kurtz, 2007). Firstly, affirmative action raised in United Stated of America in 1964 by the launch of Civil Rights Act. The Clause VII of it, specifically, mentioned about the prohibition of discrimination in workplace (Stephanopoulos, 1995). Further, this Art conducts the equal payment age discrimination in employment opprtunity, equal employment opportunity, pregnancy discrimination act, and Civil Rights Act. Leonard (1990) explained that politically, affirmative action is government policy that still raises dilemma. Yet, affirmative action also became the tool of worker in stating their voices in order to be implemented in the government policy. Affirmative action policy in the organization may be measured by the folowing indicators (Rosado, 2003; Coetzee, 2005):

1. Equality in any aspects such as position, race, religion, gender, ethnic.

2. Minority education.
3. Employee promotion to increase her/his position without considering gender and ethnic.
4. Recruitment and other program that equal for all employees.
5. Strategy to solve the diversity vision.
6. The role of employee in implementing the affirmative action policy.
7. Providing maintenance the affirmative action policy for its continuity and sustainability.

Diversity

Perception is defined as the process by which individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world" (Mishra, 2008). Lewis et al., (2007) defined that "perception is the process by which these sensation are selected, organized and interpreted by the individual, who is influenced by his or her unique biases, needs, and experiences". While, diversity is the differences of employee and environment conditions, due to gender, age, marrital status, disability, sexual orientation (Mathis & Jackson, 2006).

Daft (2008) classified diversity into two dimensions, self image (gender diversity, racial diversity, and age diversity) and acquisition (work style, communication style, and level of education and skill). While, Spielberger (2002) classified diversity into demographic dimension (ethnicity, gender, education) and opinion dimension (self interest and perceived fairness).
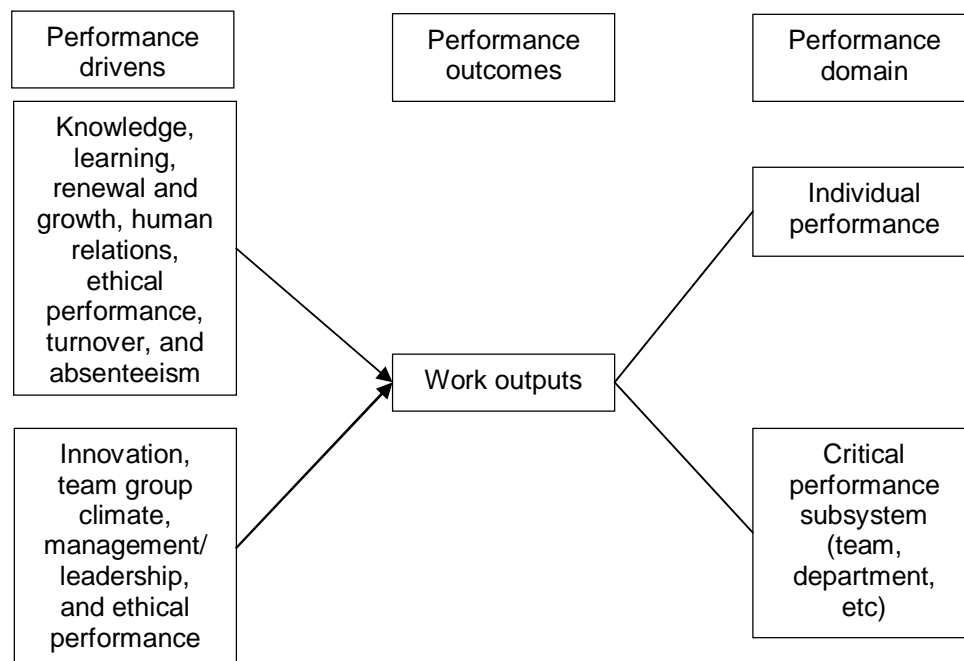
Discussion

Affirmative action policy is the policy that guides the affirmative action in the organization. As the policy, this affirmative action policy must be developed by the organization based on the environment surrounding it. The policy itself is the way to take action to make a decision (Soeharto, 2005), to solve the problem (Anderson, 1979; Winarno, 2005) in which involved many parties (Suharto, 2005; Winarno, 2005; Anderson, 1979), either intra-organizations or inter-organization and need the continuous process (Tahir, 2011). The involvement of many parties in policy planning and implementation can be explained that the policy must consider the environment, includes organizational culture. Moreover, organizational culture is a set of a set of beliefs, values, rituals, stories, myths, and specialized language (either expressed or implied) that maintains a shared sense of community among members of the organization (Kreitner, 2008), and also norms, and artifacts that include how to resolve the problems faced by the members (employees) that exist within an organization (Ferrell et al., 2011).

This values, norms, and beliefs of course will influence how the policy of affirmative action will be arranged and implemented. Further, the dimensions of organizational culturethat was developed by Denison also revealed that organizational culture consists of four dimensions that is mission, adaptability, involvement, and consistency, in which each dimension will influence the type of policy that should be implemented in the organization. Therefore, even though there is not the empirical study about the relations of organizational culture and affirmative action, this study proposed that:

Proposition 1: Organizational culture has effect on affirmative action policy

The empirical studes that conducted previously revealed that organizational cultureinfluence positively to employee performance (Butarbutar & Sendjaya, 2010; Suharti & Suliyanto, 2012; Shah, 2007; Robert & Wasti, 2002; Mehta & Krishnan, 2004; Erdogan, et al., 2006; MacIntosh & Doherty, 2010; Fleury, 2009; Khan et al., 2011; Lincoln & Doerr, 2012). Yet, the other empirical studies revealed that organizational culture is not influence employee performance (Mahal, 2009; Lund, 2003). As one of the element of performance evaluation, work quality is assumed to be influenced by organizational culture. This assumption can be explained by Swanson & Holton III (2008), that can be illustrated in Figure 2.

Figure 2: Work Outputs as the Performance Outcomes

Performance drivens	Performance outcomes	Performance domain

Knowledge, learning, renewal and growth, human relations, ethical performance, turnover, and absenteeism

Individual performance

Work outputs

Innovation, team group climate, management/ leadership, and ethical performance

Critical performance subsystem (team, department, etc)

Adapted from Swanson & Holton III, 2008

Work quality as the standard that must be gained by the employee in conducting their work is the outputs of employee performance that will be influenced by team group climate, human relations, and ethical performance, in which are the parts of organizational culture. Therefore, this study proposed that:

Proposition 2: Organizational culture has effect on employee work quality

Instead of influenced by team group climate, human relations, and ethical performance, the work outputs also is influenced by leadership (Figure 2). Human relations itself illustrate the relations between leader and follower and the style or model of relations itself. The social exchange or relations in the LMX model that is:

1. Perceived contribution to the exchange-perception of the amount, direction, and quality of work-oriented activity each member puts forth toward the mutual goals (explicit or implicit) of the dyad.
2. Loyalty-the expression of public support for the goals and the personal character of the other member of the LMX dyad.
3. Affect-the mutual affection members of the dyad have for each other based primarily on interpersonal attraction rather than work or professional values (Graen & Uhl-Bien, 1995). Therefore, in this study, it is proposed that:

Proposition 3: LMX has effect on employee work quality

Related to the affirmative action policy, Kagoda (2011) revealed that there is the strong relationship between leadership model and affirmative action policy. Therefore, in this study, it is proposed that:

Proposition 4: LMX has effect on employee work quality

Button et al., (2006) revealed that affirmative action policy negatively influenced employee work quality. Therefore, in this study, it is proposed that:

**Proposition 5: Affirmative action policy has effect on employee work quality**

As the raising of affirmative action for the first time, the affirmative action is objected to minimize the discrimination problem due to diversity. It means that affirmative action policy has effect on perceived diversity in the organization. Moreover, the empirical study also conveyed that there is positive relationship between affirmative action policy and employee diversity (Federico & Sidanius, 2002). Yet, in this study, it is proposed that:

Proposition 6: Affirmative action policy has effect on diversity

Theoretically, diversity influence the early assumption ofthe employee about the existence of diversity in the organization. This early assumption will influence the employee performance, in which work output is one of the performance outcomes (Figure 2). This assumption of diversity finally form the employee perception of employee about diversity and the leader-member relations. As a result, employees with greater attention from the leadership will work harder to get more attention. Therefore, this study proposes that:

Proposition 7: diversity has effect on employee work quality.

Based on the propositions above, the conceptual framework that was build in this study can be seen in the Figure 3.
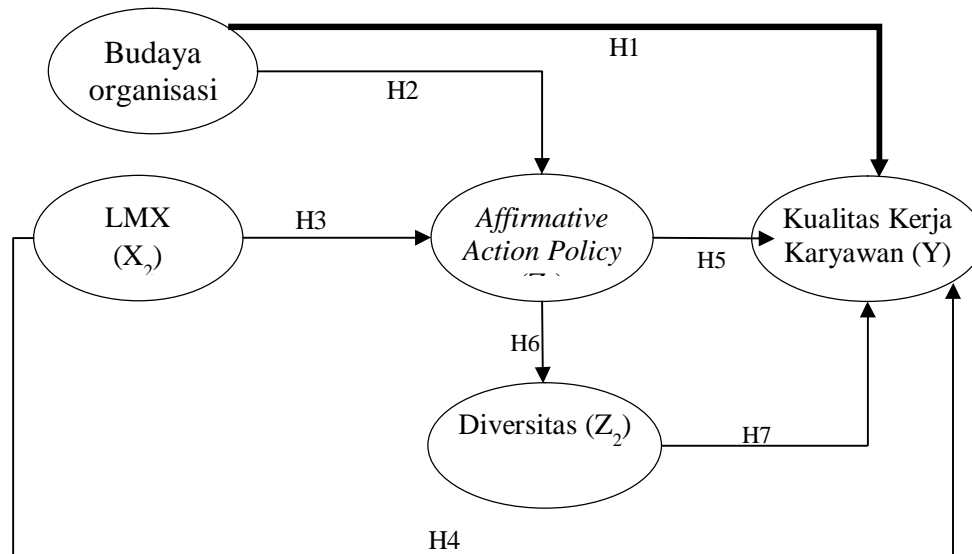
Method

This research applies the positivist approach, by identifying the causal relations describing the behavioral patterns of the elements in organization in a company and to test the existing theories by setting up the research hypotheses. This research develops structural models by using SEM – Structural Equation Method. Data are collected by using a Survey Method at PT Pelabuhan Indonesia III (Persero), and spreading the questionnaires to 265 employees under the proportional random sampling technique.

Analisis

Diploma passed number is 85 (32.08%), Strata 1/Undergraduate passed number is 167 (63.02%), Strata 1/Undergraduate not yet passed number is 1 (0.38%), Strata 2/Postgraduate passed number is 6 (2.26%), Strata 2/Postgraduate not yet passed number is 4 (1.51%) and S3/PhD passed number is 2 (0.75%).

Respondents' length of work period can be identified if on average respondents have worked for more than 8 years. This is in line with the following composition: 1-3 years 71 persons (26.79%), 4-6 years 53 persons (20.00%), 7-8 years 37 persons (13.96%) and > 8 years 104 persons (39.25%). The description of respondent demography variable above explains that on the basis of gender, respondents are dominated by male (205 persons) or 77%.

In performing a descriptive assessment on each variable, categorization based on interval scale according to average score can be made. The calculation of interval scale is as follows: Interval scale = (Highst Score – Lowest Score)/Number of scale. Interval scale = (5 – 1)/5= 0,8. Therefore, score calculation based on interval variable Company Culture (X_1), *Leader Member Exchange* (X_2), *Affirmative Action Policy* (Z_1), Employee Work Quality (Y) is: 1 – 1,80 = Very bad; 1,81 – 2,60 = Bad; 2,61 – 3,40 = Quite good; 3,41 – 4,20 = Good; 4,21 – 5,00 = Very good. Meanwhile for variable Diversity (Z_2) the calculation is based on the following interval: 1 – 1,80 = Very high; 1,81 – 2,60 = High; 2,61 – 3,40 = Quite high 3,41 – 4,20 = Low; 4,21 – 5,00 = Very low

Result of the study can conclude that based on the descriptive analysis the Company Culture variable is determined by 6 indicators, namely: First, Creating change, with the statement "The company is open to all new ideas and apporaches as a response to change" and has a standardized loading of 0,723; Second, Customer focus, with the statement "Employees understand customer needs as input for company improvement" and has a standardized loading of 0,726; Third, Goal and Objectives, with the statement "The company has a long term strategy as vision operationalization" and has a standardized loading of 0,717; Fourth, Vision, with the statement "The company has a clear formulation of what is to be achieved & what is easily understood by employees" and has a standardized loading of 0,701; Fifth, Agreement, with the statement "The company overcomes existing problems through collective agreement" and has a standardized loading of 0,706; Sixth, Coordination and integration, with the statement "The company coordinates and unites all employees and performs tasks and objective achievement" and has a standardized loading of 0,705.
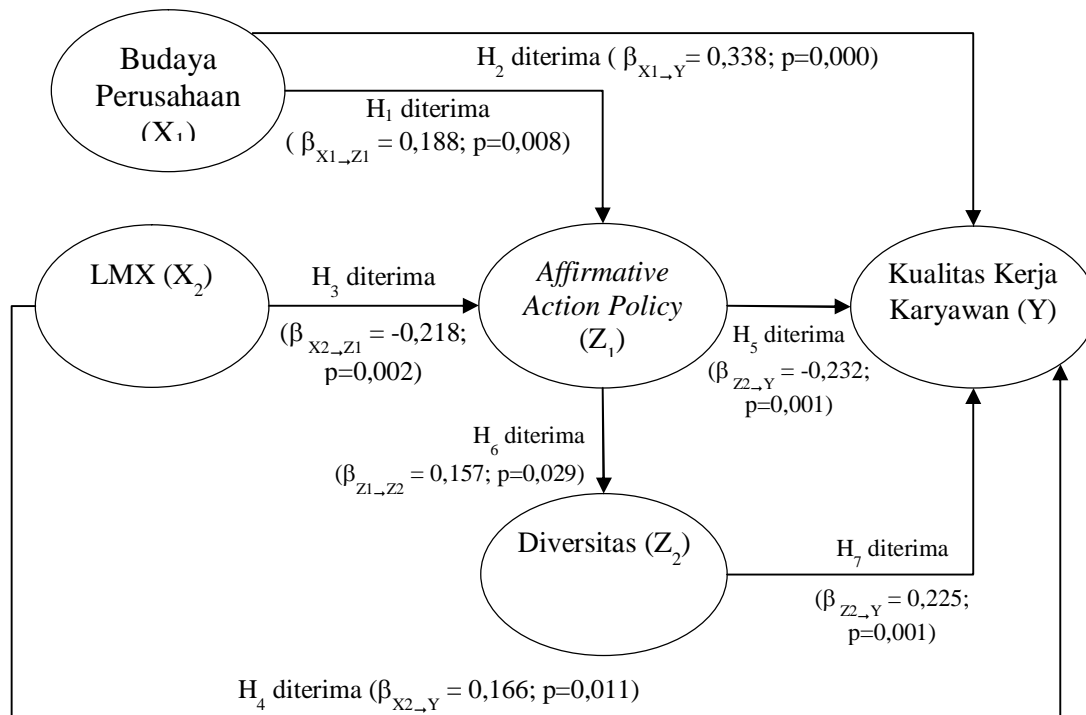
Next, the Leader member exchange variable is determined by 6 indicators, namely: First, Willingness, with the statement "Leader is willing to help employees with their problems in order to carry out duty and responsibility" and has a standardized loading of 0,751; Second, Knowledge, with the statement "Leader has and master knowledge and therefore is very insightful" and has a standardized loading of 0,861; Third, Attitude, with the statement "Leader shows responsible attitude for the company as a reflection of the sense of belonging to the company" and has a standardized loading of 0,815; Fourth, Sense of belonging, with the statement "Leader shows responsible attitude for the company as a reflection of the sense of belonging to the company" and has a standardized loading of 0,6; Fifth, Commitment, with the statement "Leader is highly committed to develop the company" and has a standardized loading of 0.859; Sixth, Learning, with the statement "Leader gives a learning chance to all employees including himself for improvement" and has a standardized loading of 0,852

The Affirmative Action Policy variable is determined by 5 indicators, namely: First, Minority group education, with the statement "The company gives a learning or education chance to all employees" and has a standardized loading of 0,720; Second, Finishing strategy, with the statement "The company has a proper strategy to implement all policies in the company" and has a standardized loading of 0.748; Third, Diversity vision, with the statement "Employees have a clear vision of the existence of diversity that makes objective and fair policy" and has a standardized loading of 0.786; Four, Role of all members, with the statement "Existing employees have a role to accelerate the implementation of *affirmative action* program" and has a standardized loading of 0.792; and lastly, Maintenance provision, with the statement "The company provides program maintenance" and has a standardized loading of 0,714.

The Diversity variable is determined by 5 indicators, namely: First, Gender diversity, with the statement "In the company there is no difference in treatment both to female or male employees in performing daily tasks" hand has a standardized loading of 0.712; Second, *Racial/Ethnic Diversity*, with the statement "The company does not differentiate all employees based on race, ethnicity, or nationality" and has a standardized loading of 0.749; Third, Age diversity, with the statement "All employees are treated equally well old or young" and has a standardized loading of 0.785; Fourth, Sexual orientation, with the statement "Company policies are made for the interests of both female and male employees" and has a standardized loading of 0,719; Fifth, Communication style, with the statement "The company applies proper communication pattern according to the characteristics of each employee" and has a standardized loading of 0,702.

The Employee Work Quality variable is determined by 7 indicators, namely: First, Performance, with the statement "Employees in this company have good work quality and has a standardized loading of 0.706; Second, Reliability, with the statement "Employees have reliable and trusted work quality according to company standard" and has a standardized loading of 0,708; Third, Conformance, with the statement "Employees have self ability that conforms with the standards set by the company that allows the achievement of expected work quality" and has a standardized loading of 0,712; Four, Durability, with the statement "Employees have durability in carrying out tasks and responsibilities that allows the achievement of expected work quality" and has a standardized loading of 0,716; Fifth, Service ability with the statement "Employees have the ability to provide service to everyone in any condition" and has a standardized loading of 0,742; Sixth, Aesthetics, with the statement "Employees are regarded to have aesthetics (looking beautiful) in achieving expected work quality" and has a standardized loading of 0,713; and lastly, Perceived quality or image, with the statement "The work done by employees in this company is accepted well by all components, both management and customers" and has a standardized loading of 0,729.

Disccussion

Budaya Perusahaan (X_1)

H_2 diterima ($\beta_{X1 \to Y}$= 0,338; p=0,000)

H_1 diterima ($\beta_{X1 \to Z1}$ = 0,188; p=0,008)

LMX (X_2)

H_3 diterima ($\beta_{X2 \to Z1}$ = -0,218; p=0,002)

Affirmative Action Policy (Z_1)

Kualitas Kerja Karyawan (Y)

H_5 diterima ($\beta_{Z2 \to Y}$ = -0,232; p=0,001)

H_6 diterima ($\beta_{Z1 \to Z2}$ = 0,157; p=0,029)

Diversitas (Z_2)

H_7 diterima ($\beta_{Z2 \to Y}$ = 0,225; p=0,001)

H_4 diterima ($\beta_{X2 \to Y}$ = 0,166; p=0,011)

Based on the outputs of hypothetical tests, it is found out that the influence of Organizational Culture (X_1) to Affirmation Action Policy (Z_1) is positive, because it has positive standardized regression weight at the value of 0.188. The influence of organizational culture (X_1) to affirmation action policy (Z_1) is significant, because it has the error probability value (p) at the sum of 0.008 smaller than its level of significance (α) of 5% or 0.05. **Thus, the First Hypothesis conveyed in this research is accepted.** According to Boone & Kurtz (2007) the importance of diversity management in a group of people in a certain environment is due to the high frequency of discriminative actions. Leonard (1990) added that *affirmative action policy* is a controversial policy, especially in the world of politics. However, many studies have found that *affirmative action policy* is the voice of workers implemented by policy makers. Affirmative action can be widely understood both as a tool to distribute work and income. That means, *affirmative action policy* can pursue the equality of opportunity or equal yield. Company culture as a collection of values and beliefs upheld by the company will influence how individuals in the company behave that is manifested as culture at artifact level (Schein, 2010). Empirically, the strongest company culture indicator that supports PT. Pelindo III company culture is creating change and the policy-shaping indicator is the role of all members. This fact subsequently supports the study result that company culture influences company method in formulating employee policy that is also of internal nature, namely about the provision of program maintenance that supports policies, including *affirmative action* policy. Study result shows that the strongest *affirmative action* policy indicator is the role of all members. Which means, when the company makes policies related to *affirmative action*, especially ones related to provision of program maintenance, then all elements in the company both management and employees will strictly observe and obey the program maintenance provision policy.

The influence of Organizational Culture (X_1) to Employee Work Quality (Y) is positive, because it has positive standardized regression weight value at the amount of 0.388. The influence of organizational culture (X_1) to the employee work quality (Y) is significant, because it has the error probability value (p) at the sum of 0.000 smaller than its level of significance (α) of 5% or 0.05. **Thus, the Second Hypothesis presented in this research is accepted.** This study result matches the studies conducted by Butarbutar & Sendjaya (2010); Suharti & Suliyanto (2012); Shah (2007); Robert & Wasti (2002); Mehta & Krishnan (2004); Erdogan, *et al*., (2006); Lund (2003); MacIntosh & Doherty (2010); Mahal (2009); Fleury (2009); Khan *et al*, (2011); Lincoln & Doerr (2012); and Tolmats (2004) which have proven that company culture influences employee performance. Schultz (1994:22) explained that company culture is a product of collective group learning process and problem solving in order to survive.

Company culture is a way of maintaining integration in organization – a concensus to bind – that has influence in affirming the company's ability to survive. In this case, company culture also involves company's adaptation to external conditions. Implementation of culture in a company may be classified as strong or weak. A strong culture is a culture where people clearly understands it and are also able to articulate the culture clearly. Meanwhile, a weak culture is one where people are having a hard time defining, understanding, and explaining it (Flamholtz & Randle, 2011:9). In a strong company culture, almost all managers share a set of consistent values and methods applied in business. New employees adopt these values very quickly, because a strong culture can be seen and felt in the company's daily operational activities. This study result shows that the strong company culture indicator is *creating change*. From this result it can be explained that PT. Pelindo III values very highly the application of new ideas and approaches as a response to change. This means, the openness to new ideas and approaches as a response to change must be matched with employees' ability to provide service to all parties in any condition including in the harshest environment.

The influence of LMX Leadership (X_2) to Affirmation Action Policy (Z_1) is negative, because it has negative standardized regression weight at the value of 0.218. The influence of LMX leadership (X_2) to affirmation action policy (Z_1) is significant, because it has the error probability value (p) at the sum of 0.002 smaller than its level of significance (α) of 5% or 0.05. **Thus, the Third Hypothesis conveyed in this research is accepted.** This study result matches Merab findings (2011), that states equality doesn't mean giving the same opportunity for leadership position, even though the research was only focused on gender issues. According to Kirkeby (2000), leadership is a form of leader and follower relationship in which leadership instruments different from the management are required. Those instruments are dialog, teaching, request, attractive, commitment, emphaty, possibility of self identification, understanding, reciprocity, and solidarity, where the expected result is social virtue such as honesty, reliability, cooperation, and responsibility toward others. Some of those instrumens are meaningful if the leadership model is a manifestation of a policy reformation. However, affirmative policies do not appear often in every policy. Based on the empirical facts, it is known that the strongest LMX indicator that forms the LMX leadership model in PT. Pelindo III is knowledge. This means, the leader is highly committed to develop the company through the knowledge possessed by the leader. This high commitment to develop the company will negatively impact *affirmative action* policies, especially those related to the role of all members in program maintenance provision. The commitment of the leader who always performs learning according to knowledge possessed allows a policy to be changed easily when it is regarded as outdated or no longer suitable for business development.

The influence of LMX Leadership (X_2) to Employee Work Quality (Y) is positive, because it has positive standardized regression weight at the value of 0.166. The influence of LMX leadership (X_2) to the employee work quality (Y) is significant, because it has the error probability value (p) at the sum of 0.011 smaller than its level of significance (α) of 5% or 0.05. **Thus, the Fourth Hypothesis presented in this research is accepted.** This study result matches the study conducted by Suharti & Suliyanto (2012), which has proven that leadership model has an influence on employee loyalty and commitment, a study in which a concept is expanded further, namely employee work quality. The level of authority of the leader itself is displayed by the leader through leader characteristics on each point. Each point on the *continuum* is influenced by the characteristics of the manager, subordinate, and situation (Lussier & Achua, 2010:159; Griffin & Moorhead, 2012:333). Based on the research facts it is known that the leader in PT. Pelindo III is highly committed to develop the company through the knowledge possessed by the leader. This high commitment to develop will have an impact on the leadership concept to continuously perform self-learning and subordinate learning. This means, there is a concept of learning and sharing in order to achieve company development. This situation subsequently influences the quality of employees' work, because the employees are also motivated to learn and share in order to be able to deliver service to all parties in any condition. Therefore, the result of this study proves that LMX leadership in PT. Pelindo III positively and significantly influences employee work quality.

The influence of Affirmative Action Policy (Z_1) to Employee Work Quality (Y) is negative, because it has negative standardized regression weight at the value of 0.232. The influence of affirmative action policy (Z_1) to the employee work quality (Y) is significant, because it has the error probability value (p) at the sum of 0.001 smaller than its level of significance (α) of 5% or 0.05. **Thus, the Fifth Hypothesis conveyed in this research is accepted.** This result mathces Coetzee (2005) that the company will analyze employees in the list of each position (post) and the salary system per organization unit.

The organization must then separate each of the jobs to different units in the diversity of employees and lastly the company conducts development through promotions, positions, salary rates, and equality-related policies. The explanation of Coetzee (2005) supports the result of this study, that even though the company has an interest in analyzing diversity and place employees according to their diversity characteristics, if the analysis is done generally without taking into account the fundamental essence of diversity, such as ethnicity, religion, race, and gender, then it will instead make employees feel discriminated. The end result is, the employees will show a drop in work quality. Empirically, the facts in PT. Pelindo III show that the strongest indicator in the *affirmative action policy* in the company is the role of all members. This will contradict the strongest indicator in supporting employee work quality i.e. Employees have the ability to deliver service to all parties in any condition. Therefore, when employees who play a role in accelerating the implementation of *affirmative action* program but tend to be stagnant or stuck are maintained, then employees' ability to deliver service to all parties in any condition will also be limited. Ultimately, employee work quality will also drop.

The influence of Affirmative Action Policy (Z_1) to Diversity (Z_2) is positive, because it has positive standardized regression weight at the value of 0.157. The influence of affirmative action policy (Z_1) to diversity (Z_2) is significant, because it has the error probability value (p) at the sum of 0.029 smaller than its level of significance (α) of 5% or 0.05. **Thus, the Sixth Hypothesis presented in this research is accepted.** As explained by Cox and Blake (1991) who state that diversity of individuals (employees) in an organization by performing diversity management (differences). This management is company's ability to attract, maintain, and motivate individuals from diverse cultures and backgrounds so that they have a competitive advantage in a high-quality resource structure. A condition where affirmative policies are carried out, when people see discrimination toward diversity that is formed in an environment suatu becomes a fairly wide target that can pressurize even with an imperfect objective. The goal of a company is to describe the employment pattern in a business. The method used is determining the barriers in making equal work opportunity in the organization. Employee description helps in identifying organization unit, where women or minorities are less represented or concentrated (Coetzee, 2005). Based on the strongest indicator of *affirmative action policy* i.e. the role of all members, it can be explained that if employees are committed to maintain and implement the policies then they will fell treated in a professional way. There is no discrimination of gender or race or religion in professional treatment. Instead, complementary relationship and professional cooperation prevails.

The influence of Diversity (Z_2) to Employee Work Quality (Y) is positive, because it has positive standardized regression weight at the value of 0.225. The influence of diversity (Z_2) to the employee work quality (Y) is significant, because it has the error probability value (p) at the sum of 0.001 smaller than its level of significance (α) of 5% or 0.05. **Thus, the Seventh Hypothesis conveyed in this research is accepted.** This result shows that differences among employees become a barrier for them in improving their work quality. According to Mathias & Jackson (2006), diversity will be useful to differentiate employees specifically and tangibly. These differences are caused by the difference in age, race and ethnicity, religion or belief, gender and geographic distribution (Hankin, *The New Work Force*, 2005). Agarwal (2009) added a process where individuals (employees) select, organize, and interpret thir opinions through understanding of the environment where they are. Employee perceptions become complex because individuals or groups of organizations have different habits or opportunities in actualization. The process gives a stimulus in the form of variations that confront each other, registrate, interpret, and creating *feedback*. However, the fact is not all differences in diversity formed in a company can influence employee work quality. According to Werhane *et al* (2004), differences in individuals (employees) that have characteristics in local, national, or global population include diversity of *gender*, ethnicity, and country of origin. That diversity has differentiating functions as characteristics of social-economic background, education experience, and also the background of where the company is located. There are several causes of ethnicity, race, or gender problems in the work environment: First, problems related to workers' law and justice institution and company rules such as work promotions, equality of work opportunity, and work qualifications for certain positions. Second, the company is obligated to recruit legally in indiscriminating programs and policies. Third, there is no discrimination in the company in terms of individual (employee) skills. Fourth, diversity in the workplace creates individuas or groups critical of pluralism. This empirical study shows that in general, PT. Pelindo III does not discriminate employees by gender, race, religion, and communication style. This supports all employees in having equal opportunity in adopting Employees have the ability to deliver service to all parties in any condition without having to feel different. Such empirical situation ultimately results in a finding that lack of diversity increases employee work quality.

Managerial Implication for HRD Practice

This study tests the concept of employee work quality. The finding of the research tests employee work quality concept that contains elements of *performance*, *reliability*, *conformance*, *durability*, *service ability*, *aesthetics* and acceptable work. As stated by Cao (2010) a worker's quality can be measured by several indicators, among others are *performance*, *features*, *conformance*, *durability*, *service ability*, *and aesthetics.* Employee work quality can be shown by employee involvement in management in directing all efforts in the process of planning, controlling, and improvement in order that all demands and needs are fulfilled. The quality of work done by employees is influenced by many factors among others are company culture, leadership model, diversity, and *affirmative action policy*. Leadership has a central role and function in solving various sensitive problems in the company. One sensitive problem related to employee diversity is discrimination imposed by one party to another. The occurrence of discrimination and diversity results in the need of certain policies that must be met. One form of policy related to discrimination and employee diversity is *affirmative action policy*, which is the efforts made in order to to manage employee diversity either in terms of gender, race, enthnicity, or religion (Boone & Kurtz, 2007). It can also be formulated that *affirmative action policy* is an effort or tool that can be used by the company to achieve or create equality among all individuals with all their traits, characteristics, or achievements.

Determination of policies related to diversity problems in the company requires a leadership model that is able to equally accommodate that it is acceptable logically without neglecting employees' psychological interests. The significance of this company leadership model has been shown by the development of leadership model from time to time. A leader must be able to build a good rapport with the employees in order to create a positive, quality relationship. The LMX (*leader-member exchange*) theory maintains that leadership includes three elements that are related to each other, namely *leader*, *member*/*follower* and *exchange*/*relationship* (Graen & Uhl-Bien, 1995). These three elements form leadership as a relationship and process, since a leader can only exist if there is a *follower* and a *follower* can only exist if there is a leader. Therefore, LMX has been regarded as a fundamental leadership theory as Locke *et al*., (1999:2) implicitly explained that "*effective leaders must know how to inspire and relate to their followers*". If both sides develop a good mutual relationship then existing leadership will become effective that it will have a positive impact on employees and the company. The leadership model exercised by a leader will influence the culture present in the company, where the formation process will eventually produce professional leaders and employees of high integrity (Naina & Dahlan, 2008:298). Company culture influences the implementation of *affirmative action policy* in the company. Company culture has a binding nature abd must be observed by the employees. Therefore, implementation of *affirmative action policy* as a form of culture will be able to bind and necessitate the employees to follow the rules. The policies made by the company will indirectly affect the resulting performance which can be assessed by the quality of the work result. As Merab (2011) study has shown, there is a close relationship between leadership model and programs of *affirmative action policy.* Jan Visagie (2011) has also proven that leadership model has an influence on diversity. Guildroz (2009) has proven that company culture has an influence on employee diversity in a workplace.

Limitations

This study has a limitation, namely: This study is set as an initial study to investigate the influence of company culture on *affirmative action policy* and the influence of diversity on employee work quality, therefore this study has not yet investigated the mediative role of *afffirmative action policy* and diversity in the influence of company culture and LMX leadership model on employee work quality. Therefore, this study does not analyze indirect influence and total influence of company culture and LMX leadership model variables on employee work quality. From the beginning, this study does not test the influence of company culture on LMX leadership model either, theoretically company culture on LMX leadership model like the studies conducted by Butarbutar & Sendjaya (2010); Gunawan (2009); Mehta & Krishnan (2004); Erdogan, *et al*., (2006); Van Emmerik, *et al*, (2009); Alas, *et al*., (2011); Kong (n.d); Mohanty *at al* (2012); and Schimmoeller (2010) proving that company culture and leadership model are related to each other.

Future Research

Theoretically, the findings of this study also contribute to the next studies, because the findings of this study can be used as a reference material for the development of the next studies that aim to address issues related to *affirmative action policy* in order to expand theoretical library and establish empirical values in the development of company culture and leadership model theory and the influence on *affirmative action policy,* diversity, and employee.

Conclusion

Based on the descriptive analysis, it can be concluded that the organizational culture at PT Pelabuhan Indonesia III (Persero) has been evaluated good by the employees. The practice of LMX leadership at PT Pelabuhan Indonesia III (Persero) can also be classified as being 'good'. Affirmative action policy at PT Pelabuhan Inndonesia III (Persero) can be classified as being 'favorable' too. Diversity indicates that in general diversity is perceived 'low' by the employees. The work quality of employees at the company can be categorized as being 'sufficiently good'. Meanwhile based on the inferential analysis, the organizational culture has significant influence to the affirmative action policy. The organizational culture has significant influence to the work quality of employees. Leader Member Exchange significantly influences the affirmative action policy at the company. The Leader Member Exchange also has significant influence to the work quality of employees. Meanwhile, the affirmative action policy significantly influences the work quality of the employees. The affirmative action policy significantly influences as well the diversity at the company. Diversity has significant influence to the work quality of the employees. The employee's assumption that the company applies equality to its employees regardless to their ethnical races increases the spirit of the employees to always adjust their ability to the criteria standards specified by the company. This study concluded that there is effect of organizational culture and leadership model on affirmative action policy, diversity and employee work quality. Affirmative action policy itself have become debated issues in the context of human resource development (HRD), due to its impact to the employee work quality also still debatable. Therefore, for management, it should be considered that in arrangement and implementation affirmative action policy in order that this policy can minimize diversity and finally give positive effect on work quality. Especially, related to the quality of leadership model, that is leader member exchange (LMX) and organizational culture.

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