EMPLOYEE PERFORMANCE AS THE IMPACT OF
TRANSFORMATIONAL LEADERSHIP AND JOB SATISFACTION IN PT ANUGERAH BARU DENPASAR

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Abstract

PT Anugerah Baru in Denpasar has applied transformational leadership since 2014 so that employees feel more secure and motivated. Thus, it increases their performance. This study is undertaken to find the impact of transformational leadership on job satisfaction using employee performance as a mediating variable in PT. Anugerah Baru Denpasar using Partial Least Square (PLS). The results show that there is a positive and significant impact of transformational leadership on job satisfaction, a positive but insignificant impact of job satisfaction on employee performance, and a positive and significant impact of transformational leadership on employee performance.

Keywords: Transformational leadership, employee performance, job satisfaction.

Introduction

The growth of tourism industry in Bali has caused people mobility, and automatically the need of personal vehicles is increasing, too. Thus, companies selling automobile spare parts are growing more and more; and the competition is also getting tighter and tighter. In order to survive, the companies must have employees who can work effectively and efficiently in serving their customers. Employees have to be seen as the asset of the company and to be managed optimally in order to increase employee performance (Arifin, 2005).

In order to increase employee performance, the role of leaders is very important in directing and managing the employees to reach the company’s goals. Without a leader, the company is only a group of people working together without any guidance that enable them to realize the goals of the company (Dannim, 2004). Leaders are the ones who can be able to model the way, motivate, enable others to act and challenge the process for the sake of the company (Bateman & Snell, 2007). Thus, leaders and followers will have to work together to achieve the company goals. The quality of the leader is usually the most crucial factor in determining the success or failure of the company (Bass, 1990).

Good leaders should be able to show high standards of moral and ethical conduct. They do not only live up to their own set of expectations but also care about their subordinates’ best interests in mind. This kind of leaders is called transformational leaders (Rothfelder, Ottenbacher, & Harrington, 2012). Transformational leaders provide an optimistic and attractive vision of the future, understand followers’ needs and wants, stimulate followers’ creativity and encourage team spirit. When followers’ needs are fulfilled, they will be satisfied; and thus, it may lead to their optimal performance.

One of the companies selling automobile spare parts is PT Anugerah Baru in Denpasar which was established in January 25, 1996. At first this company only focused on maintaining and repairing automobiles. Then it grew bigger becoming an automobile distributor in 1998. Since then, it has had bigger market not only in Denpasar but also other parts of Bali.

PT Anugerah Baru has also experienced several changes in its leadership. Each leader has different style in leading the company. But the most important one was in 2014 when it was time for company restructuring. Since then, the company has applied transformational leadership under Christopher Nugroho Wijaya Santos, the President Director. He has participated directly in the company operation by supervising across departments and ensuring that all existing activities run smoothly using various approaches. Since then, employee performance has increased a lot.

Based on the interviews with top managers of the company, it is known that the purpose of applying transformational leadership is to boost employee job satisfaction. It was done to understand employee
needs and wants more individually so that top managers can be able to have suitable approach to employees individually.

In addition, from the interviews with the employees who have worked long enough for the company, it is also known that the previous leader wasn’t professional as he couldn’t get along with the employees well. The recent leader, on the other hand, is the one who can make the employees feel secure and motivate them well. The employees feel satisfied as the leader values their ideas and opinion apart from treating them very well. Thus, they are willing to work harder and perform their very best. Based on the phenomenon, the researchers want to analyze whether transformational leadership has influenced employee performance with job satisfaction as a mediating variable in PT Anugerah Baru in Denpasar.

**Transformational Leadership**

Gill, Fitzgerald, Bhutani, Mand, and Sharma (2010) state that transformational leadership is a process of influencing employees’ behavior and their ways of thinking and building employees’ commitment toward companies’ vision and mission statements in order to achieve the companies’ goals. In addition to this, transformational leadership refers to leaders’ styles that enable to motivate employees so that they can develop themselves to perform their best (Yukl, 2010). So it can be concluded that transformational leadership is a leader style that enables employees to develop themselves to empower their performance.

According to Stone (2005), transformational leadership has characteristics that differentiate it with other leadership styles. They are:

1. **Charismatic Influence**
   Leaders have realistic vision and mission that make employees proud of and cause them to respect and believe in. This charisma is shown from leaders’ understanding and behavior toward companies’ vision and mission, strong convictions, commitment as well as their consistency on every decision made by respecting the employees.

2. **Inspirational Motivation**
   Leaders can not only apply high standards but also be able to support their employees to achieve the standards. Having this character, leaders will be able to arouse employees’ high optimism and enthusiasm.

3. **Intellectual Stimulation**
   This characteristic will enable employees to solve their problem conscientiously and rationally. Besides that, leaders will tend to boost their employees to find effective ways in problem solving. By doing so, employees are trained to be creative and innovative.

4. **Individualized Consideration**
   It refers to leaders who are willing to understand the individual differences of their employees. Leaders are willing to listen to employees’ inspirations, educate and provide training to the employees according to their needs and wants.

   It can be concluded that transformational leadership can contribute a lot in enabling the optimal operations of the employees for the benefits of the company. It makes both leaders and employees work together to perform well in achieving company objectives.

**Job Satisfaction**

When leaders can understand employees’ differences and be able to appreciate employees accordingly in doing their jobs, they will feel satisfied as they are valued individually. Every employee has different level of satisfaction. Judge, Hulin, and Dulal (2012) say that job satisfaction refers to multidimensional psychological responses toward individual work.

Job satisfaction refers to positive feelings which employees can get because their jobs have important values and mean a lot for them (Noe, Hollenbeck, Gerhart, & Patrick, 2006). So it can be said that job satisfaction is a result of individual interaction with his/her work environments. The more suitable aspects the employees find in their work environments, the more satisfied they might feel in their jobs.

According to Luthans (2006), there are five indicators that can influence job satisfaction:

1. **Reward (like salary or wages)**
   Salary or wages should be fair based on job demands and requirements, individual skills and standardized so that it makes employees satisfied.

2. **The job itself**
   Employees tend to love the jobs that enable them to use their skills and abilities, freedom as well as feedback. This makes the jobs become more challenging for them.

3. **Co-workers**
   For most employees, jobs are used to fulfill their needs of social interaction. So it is not so surprising that having friendly and cooperative co-workers can boost their job satisfaction.

4. **Promotion**
   Promotion occurs when an employee moves from one position to higher position with more respon-
sibilities according to organizational structure. Most employees feel positive because of their promotion. Thus, it enables companies to make use of employees’ abilities and skills as much as possible.

5. Supervision
Supervision has an important role in management. It has direct impact and is able to influence employees in doing their jobs. Generally, they would love to have fair, open, and cooperative supervisors.

It is clear that every employee has different level of satisfaction according to values he/she believes in. The more suitable aspects he/she can find in his/ her job, the higher commitment he/ she will have. When employees become committed to the company, they feel attached to the company and become part of it so they will tend to do their jobs better.

Employee Performance

Employee performance is a result achieved by an employee in executing the tasks assigned to him/ her based on his/her skills, experience, time and sincerity (Hasibuan, 2005). In addition, Mangkungara (2005) stated that employee performance is the result of qualitative and quantitative work accomplished by an employee in carrying out his/her duties in accordance with the responsibilities given to him/ her. This refers to how employees try to perform and complete the jobs assigned well.

According to Hasibuan (2012), some indicators that describe employee performance can be evaluated tangibly (quality, quantity, time) as well as intangibly (objectives that cannot be measured or standardized). They are:

1. Loyalty reflects employee willingness to maintain and defend the company whether they employees are inside or outside the company. It also deals with the dedication and devotion of employees to the company
2. Work quality is the employees’ perception of the work thoroughness based on the employees’ skills and abilities.
3. Work quantity is the amount of work produced and expressed in terms of units, number of completed activities.
4. Honesty refers to employees’ sincerity to do the jobs as well as self-awareness not to abuse the given authority.
5. Discipline reflects the compliance of employees with existing regulations and the ways they do their jobs in accordance with the given instructions.
6. Co-operation is the willingness of employees to excel and work together with other employees vertically and horizontally
7. Leadership is the ability to lead, influence and motivate others to work effectively.
8. Personality refers to courteous behavior that shows pleasant impression, good attitudes, and sympathetic appearance.
9. Initiative is the ability to analyze, assess or evaluate, create and provide reasons in problem solving.
10. Skills are the employee abilities to bring together and complete various elements involved in policy making within company management.
11. Responsibilities refers to employee willingness to be responsible for their policies, behavior, performance, and facilities used.

It can be said that employee performance is the employee outcome during a period of time based on the responsibilities assigned by the company. When employees perform well, it may give positive impact to company productivity.

Transformational Leadership and Job Satisfaction

A research by Tondok and Andarika (2004) has shown that leadership style is one of important factors influencing job satisfaction. In addition, employee turnover is mostly due to dissatisfaction of working condition as leaders do not empower the employees so that they are not involved in decision making. Leaders are not objective and open to their employees.

Transformational leadership refers to a leader who transforms a vision into reality and motivates people to transcend their personal interests for the good of the group (Bateman & Snell, 2007). It happens when one or more people engage with others in such a way that leaders and followers raise to higher levels of motivation and morality. They work together to satisfy one another in connection with their work environments.

According to Farrell et al. (2005), transformational leaders can intensify the abilities of their employees by paying attention to employee individual expectations. Thus, transformational leadership style is the most suitable one to be applied in the companies of 21st century. Furthermore, Al-Swidi, Nawawi, and Al-Hosam (2012) also say that transformational leadership has proven to have significant influence on job satisfaction by intensifying employee empowerment.
Effective transformational leaders will try to raise and pay attention to employee needs. By doing so, it will motivate the employees to perform better that leads to their satisfaction. Transformational leaders have significant impact on job satisfaction and organizational commitment (Yang, 2012). Based on the discussion above, the following hypothesis is formulated to be tested:

**H1:** Transformational leadership has positive and significant impact on job satisfaction.

**Job Satisfaction and Employee Performance**

Job satisfaction can influence employee performance. Employees tend to work better when they are satisfied with their jobs and committed to the companies. According to Luthans (2006), there is strong relationship between job satisfaction and employee performance. There are differences between employees who are satisfied and dissatisfied. Satisfied employees tend to be present to work and obey companies’ regulations better, but they may not be that active in labor unions. Usually these employees have better performance than those who are dissatisfied with their jobs (Handoko, 2009).

Satisfied employees tend to do things positively, help others and perform their jobs beyond the companies’ expectations. So companies having satisfied employees are more effective than those who have dissatisfied employees (Robbins & Judge, 2008). As employees are satisfied, they will tend to do and perform their jobs effectively. Based on the above discussion the second hypothesis is formulated as follows:

**H2:** Job satisfaction has positive and significant impact on employee performance.

**Transformational Leadership and Employee Performance**

Transformational leaders will make employees feel secure, trusted and become loyal because the employees are also motivated to do their very best which is sometimes beyond their expectations (Yukl, 2010). In other words, transformational leadership will be able to boost employee performance. The more transformational leadership is applied the better employee performance will be. It is also the other way around, the worse transformational leadership is the worse the employee performance will be. Transformational leaders are those who are able to motivate their employees individually in doing their jobs. So it will influence better employees’ contributions to the companies (Imran & Anis-ul-Haque, 2011).

Studies also suggested that participatory management practices, like open communication and participatory leadership style would lead to higher levels of satisfaction. Employees feel satisfied and respected as their ideas and creativity are appreciated. Indeed, such practices may enhance better employee performance (Biswa, 2012). Based on the discussion above the third hypothesis is formulated as follows:

**H3:** Transformational leadership has positive and significant impact on employee performance with job satisfaction as a mediating variable.

**Research Method**

This study is a quantitative explanatory research to explain the relationship among variables. It is to identify the concepts that become the goals of the research (Malhotra, 2005). The population of this study includes all of 68 employees of PT Anugerah Baru, Denpasar. Judgement sampling is used in this research with criteria that samples are employees who have been working for at least two years in order to be able to differentiate the leadership styles in the previous years and provide the necessary data. So questionnaires were distributed and collected from 35 employees.

Data are analyzed using Partial Least Square (PLS) as it only needs small data around 30 to100 (Hair, Black, Babin, & Anderson, 2010). According
to Ghozali (2008), PLS is the most suitable analysis used for small data. A Likert Scale is used in this analysis with 5 scales: 1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree) and 5 (strongly agree). In addition to this, mean is used to describe data analysis. The operational variables of this research are as follows:

1. Transformational leadership refers to employee’s opinion of the leadership style implemented by PT Anugerah Baru Denpasar (Stone, 2005) with the following indicators:
   - The leader is charismatic.
   - The leader can inspire his followers.
   - The leader can encourage his followers to be more creative in problem solving.

2. Job satisfaction refers to how satisfied PT Anugerah Baru Denpasar’s employee towards the tasks and jobs assigned (Luthans, 2006) with indicators as follows:
   - I am satisfied with my wages/salary.
   - I am satisfied with job placement in the company.
   - I am satisfied with the organizational climate.

3. Employee performance refers to how well the employees of PT Anugerah Baru Denpasar can complete and perform their jobs (Hasibuan, 2012) with the following indicators:
   - I can contribute some ideas sincerely.
   - I can complete my job perfectly.
   - I can complete the required quantity of work.

Result and Discussion

Data Analysis

Table 1 shows the characteristics of participants in this study. Majority of the respondents are male (77.14%), aged 26–35 years (34.29%) and 36–45 years (34.29%), with length of service for 2–3 years (54.29%) and income of less than Rp 2,700,000.00 (45.71%).

Table 2 shows that most respondents have good opinion about their leader with total means for each variable above 3.40.

Partial Least Square (PLS) is run to find whether outer model is fit or not. So from Figure 2, it is known that all indicators are valid because their loading factors are > 0.50.
The loading factors can be seen in their values of convergent validity as shown in Table 3.

Table 3
The Value of Cross Loading

<table>
<thead>
<tr>
<th>Transformational Leadership</th>
<th>Job Satisfaction (JS)</th>
<th>Employee Performance (EP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X₁</td>
<td>0.884088</td>
<td>0.523183</td>
</tr>
<tr>
<td>X₂</td>
<td>0.844035</td>
<td>0.414021</td>
</tr>
<tr>
<td>X₃</td>
<td>0.841678</td>
<td>0.373165</td>
</tr>
<tr>
<td>Y₁</td>
<td>0.318489</td>
<td>0.757855</td>
</tr>
<tr>
<td>Y₂</td>
<td>0.338314</td>
<td>0.714463</td>
</tr>
<tr>
<td>Y₃</td>
<td>0.491359</td>
<td>0.804760</td>
</tr>
<tr>
<td>Z₁</td>
<td>0.340634</td>
<td>0.233630</td>
</tr>
<tr>
<td>Z₂</td>
<td>0.281894</td>
<td>0.192001</td>
</tr>
<tr>
<td>Z₃</td>
<td>0.203155</td>
<td>0.267403</td>
</tr>
</tbody>
</table>

Discriminant validity is used to test whether each indicator is suitable to measure the variables in this study. By looking at Table 4, it is known that AVE of each variable is > 0.50 so the variables have good discriminant validity.

Table 4
Average Variance Extracted (AVE)

<table>
<thead>
<tr>
<th></th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership</td>
<td>0.734143</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>0.577480</td>
</tr>
<tr>
<td>Employee Performance</td>
<td>0.530619</td>
</tr>
</tbody>
</table>

Table 5 shows that all variables have good composite reliability as their value are > 0.70. So it is considered that structural model is reliable.

From Figure 2, job satisfaction is influenced by transformational leadership as much as 0.268 (26.8%). Employee performance is influenced by transformational leadership and job satisfaction as much as 0.166 (16.6%). Furthermore, Q-Square is used to see whether the model is fit or not using the following equation:

\[ Q^2 = 1 - (1 - R^2 \text{ Job Satisfaction}) \times (1 - R^2 \text{ Employee Performance}) \]

\[ = 1 - (1 - 0.268) \times (1 - 0.166) \]

\[ = 0.3895 \]

If the value of \( Q^2 \) is near to one (1), the research model is considered fit. As the result of \( Q^2 \) in this study is 0.389, the research model is not that fit. Bootstrapping is done to get the following results as shown in Table 6.

Table 5
Composite Reliability

<table>
<thead>
<tr>
<th></th>
<th>Composite Reliability</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership</td>
<td>0.892241</td>
<td>0.820678</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>0.803560</td>
<td>0.641244</td>
</tr>
<tr>
<td>Employee Performance</td>
<td>0.769963</td>
<td>0.552174</td>
</tr>
</tbody>
</table>

Discussion

Based on Table 6, the value of T statistic of transformational leadership to job satisfaction is higher than 1.96. So the first hypothesis (H1) is proven that transformational leadership has positive and significant impact on job satisfaction. Table 2 has shown that the charismatic and inspiring leader can lead employees well because he is very assertive and discipline. The leader will warn employees who break the rules by giving necessary rewards and punishment. Besides that, the leader is also able to make employees become innovative in doing their job well. Employees are motivated to express and share
their new ideas in discussion and meetings. Moreover, the leader is also the one who can boost employees to be more creative in problem solving. He will delegate his authority by giving empowerment.

The result is also in line with researches done by Tondok and Andarika (2004) as well as with AlSwidi, et al. (2012). It is also supported by Yang’s research (2012) that transformational leaders will motivate the employees to perform better that leads to their satisfaction. Transformational leaders have significant impact on job satisfaction and organizational commitment. These leaders can motivate employees so that they can develop themselves to perform at their very best (Yukl, 2010).

It is also known in Table 6 that T statistic of job satisfaction to employee performance is higher than 1.96. Therefore, the second hypothesis (H2) is not proven. As per Table 2, it shows that employees feel satisfied with their wages/salary as well as with their job placement. They also feel convenient to work as a team with their co-workers. It can be said that job satisfaction has positive impact on employee performance, but it is not significant. Even though employee satisfaction is good enough, it does not affect their performance significantly. It may be caused by the research model which is not fit enough as the value of Q2 is 0.389.

Finally, T statistic of transformational leadership to employee performance is higher than 1.96. Thus, the third hypothesis (H3) is proven that transformational leadership has positive and significant impact on employee performance. Table 2 shows that employees have shown sincere contribution in the company. They are willing to contribute their ideas for the very best of the company. Besides that, they have completed the job perfectly and done the job according to the required quantity. This is in line with Handoko (2009) who stated that satisfied employees tend to perform better than dissatisfied employees. Indeed, in today’s business, transformational leaders can generate higher levels of job satisfaction as employees are motivated that they perform even better (Biswas, 2012). So job satisfaction serves as a mediating variable in order to boost employee performance.

This previous result is in accordance with a research by Yukl (2010) that shows transformational leadership can enhance and motivate employees individually so that they can develop themselves to reach the expected performance. Transformational leaders use to empower the employees to be innovative and creative in doing the jobs. By doing so, it will make better employee contributions to the companies (Imran & Anis-ul-Haque, 2011).

Thus, companies have to be aware of transformational leaders in today’s business as it plays a very important role in enhancing employee satisfaction that can influence employee performance. Transformational leaders may provide employee empowerment that makes employees feel attached and responsible for the decision they make. They feel appreciated and respected that can motivate them to work better for the sake of the company.

Conclusions and Recommendations

From the results of the study, it is known that only the first and third hypotheses are proven; whereas the second hypothesis is not proven to be true. This might be caused by the limitation of the research model which is not fit enough. Besides that, it may be due to the small sample taken.

Theoretically satisfied employees tend to perform better, but this doesn’t apply in PT Anugerah Baru Denpasar. Even though employees feel satisfied with their job, it does not affect significantly on their performance. So the company management can find some other ways that makes employees satisfied, like rewards and punishment. Rewards should not be limited to financial rewards, like wages/salary; but it can be non-financial rewards, like giving compliments either directly or indirectly. It can be done by choosing employee of the month/year and putting their pictures in the notification board of the company. Punishment should also be given for those breaking the rules and policies of the company. Besides that, the company can also do some study by delivering questionnaires to find out what makes its employees satisfied apart from transformational leadership style.

It is advisable if PT Anugerah Baru Denpasar can maintain its relationship with its employees by

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**Table 6**
The Results of Inner Weight

<table>
<thead>
<tr>
<th></th>
<th>Original Sample (O)</th>
<th>Sample Mean (M)</th>
<th>Standard Deviation (STDEV)</th>
<th>Standard Error (STERR)</th>
<th>T Statistic (O/STERR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TL → JS</td>
<td>0.517732</td>
<td>0.522837</td>
<td>0.059478</td>
<td>0.059478</td>
<td>8.704582</td>
</tr>
<tr>
<td>JS → EP</td>
<td>0.156378</td>
<td>0.149140</td>
<td>0.117694</td>
<td>0.117694</td>
<td>1.328684</td>
</tr>
<tr>
<td>TL → EP</td>
<td>0.303846</td>
<td>0.316607</td>
<td>0.130189</td>
<td>0.130189</td>
<td>2.333886</td>
</tr>
</tbody>
</table>
having social gathering which involves all employees once a year or so. Thus, it will strengthen the company-employee relationship. When employees feel attached to the company, they will tend to perform better and become very loyal.

This study is very limited as it only contribute 16.6% using limited samples in one company. For further research, it is recommended to use other variables (like: employee benefits, working environments and the like) apart from transformational leadership. It would be better if samples are taken from various companies to get the real indirect impact of transformational leadership and other variables to employee performance. By doing so, it is expected to get a fit research model that contributes for the best of humankind.

References
Rothfelder, K., Ottenbacher, M.C., & Harrington, R.J. (2012). The impact of transformational, transactional and non-leadership styles on employee job satisfaction in the German hospitality industry. Tourism and Hospitality Research, 12(4), 201–214