

## Effects of transformational leadership styles on job performance with job motivation as mediation: A study in a state-owned enterprise

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### ABSTRACT

A transformational leader is able to unite all subordinates and change beliefs, attitudes, and personal goals of all subordinates to achieve his/her goals, and even surpasses the goals set. Support from the leader may motivate the employee to work better, which could affect employee performance. This study aims to examine the effect of transformational leadership on employee performance, with employee motivation as an intervening variable. The population of the study includes all 285 employees from PT. Kereta Api Indonesia. The study uses path analysis and the results show that transformational leadership had significant effect on employees' job performance with job motivation as an intervening variable. Employees' job motivation also had significant influence on employees' job performance.

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## 1. Introduction

Leadership is an important factor which determines job performance and organizational ability to adapt to new environments (Bass et al., 2003). What so called a reliable leader is not only competent in strategy making, but also it is able to effectively execute the strategy, since it is the leader's duty to develop strategy and, at the same time, tries to actualize the strategy (Bass & Avolio, 1994). Leadership is an identity performed in certain circumstances and aims to achieve one or more specific goals through a communication process. Leadership requires an individual's deliberate social influence accomplished against others to organize activities and impact within a group or organization. An effective leader is someone who has power to motivate followers to achieve satisfactory performance. At a time of a radical transformation in business, companies should adopt a transformational leadership style so that the company would not miss / lose in competition. Transformational leadership can be defined as a leadership style that involves efforts to change the organization. This style is thought to contribute to better performance in organizations that are facing the demands of regeneration and change. According to Yammarino et al. (1993), "transformational leaders must be able to persuade their subordinates to carry out their tasks beyond their own interests for the benefit of organization". Transformational leaders articulate a realistic vision of the organization's future, stimulate subordinates in an intellectual way, and pay attention to the differences held by their subordinates. Leaders' ability to move and empower employees will affect employee performance, while the effectiveness of leaders is influenced by the subordinates' characteristics and related to the communication process that occurs between leaders and subordinates. Successful leaders should be able to motivate, mobilize and satisfy employees. It is the leader's responsibility to encourage subordinates to develop and have competence to anticipate every challenge and opportunity at work.

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PT. Kereta Api Indonesia (Persero) Regional Operations VIII Surabaya or abbreviated as DAOP VIII SB is one of the areas of Indonesian railroad operations, under the supervision of PT Kereta Api Indonesia (KAI). KAI realizes that the quality and competency of its human resources is very important in supporting the company's vision and mission. Achievement of PT. KAI cannot be separated from the support from the management who have experience, expertise and high dedication. Likewise, the leadership is applied by prioritizing exemplary by the senior employees, because it is an important factor to build a company. Based on prior observations, exemplary-based leadership is one of the dimensions of transformational leadership style applied by the leaders in the Finance Unit of PT. Kereta Api Indonesia (Persero) Regional Operations VIII Surabaya. The head of Finance Unit has the charisma and respect from the employees, listens to subordinates' input, pays attention to subordinates' career development and regularly evaluates the ability and potential of each subordinate in the unit. Based on the background of the problem above, the problem formulation is obtained: Does the transformational leadership style affect the employees' motivation in Financial Unit of PT. Kereta Api Indonesia (Persero) Regional Operations VIII Surabaya ?, Does the employees' motivation affect the employees' performance in Finance Unit of PT. Kereta Api Indonesia (Persero) Regional Operations VIII Surabaya ?, Does the transformational leadership style affect the employees' performance in Financial Unit of PT. Kereta Api Indonesia (Persero) Area of Operation VIII Surabaya?, Does the transformational leadership style affect employees' performance with employees' motivation as the intervening variable ?

The purpose of this study is to investigate and analyze:

1. The influence of transformational leadership style on employees' motivation in Financial Unit of PT. Kereta Api Indonesia (Persero) Regional Operations VIII Surabaya,
2. The influence of employees' motivation on employees' performance in Financial Unit of PT. Kereta Api Indonesia (Persero) Regional Operations VIII Surabaya.,
3. The influence of transformational leadership style on employees' performance in Financial Unit of PT. Kereta Api Indonesia (Persero) Regional Operations VIII Surabaya,
4. The influence of transformational leadership style on employees' performance with employee motivation as the intervening variable.

## 2. Literature review and hypotheses

### 2.1 Transformational Leadership

Transformational leadership is based on the principle of subordinate development. Transformational leaders evaluate the ability and potential of each subordinate to perform a task / job, while seeing the possibility to expand the responsibilities and authority of subordinates in the future. Humphreys (2002) asserted that "the relationship between superiors and subordinates in the context of transformational leadership is more than just an exchange of "commodities", but it has touched the value system". In summary, Bass and Avolio (1994) suggest that transformational leadership has four dimensions called *the Four I's*:

1. The first dimension is called idealized influence. It is characterized by leaders' behavior that can generate employees' appreciation, respect and trust.
2. The second dimension is called inspirational motivation. In this dimension, transformational leaders are identified as leaders who can express clear expectations of subordinate achievements, demonstrate commitment to organizational goals, and build team spirit within the organization through enthusiasm and optimism.
3. The third dimension is called intellectual stimulation. Transformational leaders must be able to foster new ideas, provide creative solutions to the problems, and motivate subordinates to look for new approaches for organizational tasks.
4. The last dimension is referred to as individualized consideration. In this dimension, the transformational leader is described as a leader who is willing to listen attentively to the input of subordinates and pay attention to subordinate needs for career development.

### 2.2 Job Motivation

The definition of motivation according to Mathis and Jackson (2002: 89) is "the desire in a person that causes the person to take action". In situations that might be uncertain, a leader should be able to consider different motivation for a group of people. According to Robbins et al. (2008:222), motivation is needed in order to improve the work performance in an organization; motivation is characterized as a mechanism that explains an individual's strength, purpose and diligence in achieving a goal. From that description it can be seen that motivation is an essential part of someone to do something or to achieve a certain aim. One motivation theory was developed by Herzberg, called the hygiene theory, which suggests that certain factors in the workplace may generate a high degree of motivation while other factors may cause dissatisfaction at work. Herzberg's theory sees that there are two factors that motivate employees, namely the intrinsic factor, which is the driving force that emerges from within each individual, and the extrinsic factor, which is the driving force that comes from the outside, particularly from the organization where he works. Employees who are intrinsically motivated will enjoy jobs that allow them to use creativity and work with a high degree of autonomy. Conversely, those who are more driven by extrinsic forces tend to look at what the organization offers them and are focused on getting what they want from the organization. The intrinsic motivator factors of Herzberg's two-factor cited by Luthans (2002: 160) are as follows:

1. Achievement (Successful implementation), is the need to complete a task, resulting in the best work to gain appraisal consistently, fairly and objectively to achieve work performance.
2. Recognition (appreciation), is appreciation from the superiors as a result of employees' performance by giving awards, or praise.
3. Work it self, where employees prefer jobs that provide opportunities to use the skills they have, the freedom to carry out the work and the appearance of feedback about how well employees work. Jobs that provide challenges will result in employee satisfaction when successfully carrying out them.
4. Responsibility, the granting of power, authority and responsibility for employees to carry out their work and the existence of strict sanctions if the work cannot be completed.
5. Advancement (Development), the opportunity to advance during work which includes fair promotion.

### 2.3 Job Performance

The concept of performance was expressed by Dessler (2000: 87) who defines "performance as work performance, which is a comparison between actual work results with established work standards". Thus, the performance focuses on the results of his work. Hasibuan (2006: 94) also explains: "performance is the result of work achieved by someone in carrying out tasks assigned to them based on skill, experience, sincerity and time". Performance appraisal plays a very important role in increasing motivation in the workplace. Employees want and need feedback regarding their achievements, and assessments provide an opportunity to provide feedback to them. If performance does not meet standards, the assessment provides an opportunity to review employee progress and to develop performance improvement plans. According to Dessler (2000: 514) there are five factors in performance appraisal, namely:

1. Job performance, including: accuracy, precision, skills, and acceptance of outputs
2. Work quantity, including: volume of output and contribution
3. Leadership needed, including: need of advice, need of direction or improvement
4. Discipline, including: attendance, sanctions, scripts, regulations, trustworthy / reliable and timeliness
5. Communication, including: relations between employees and leaders, communication media.

Based on the introduction and explanation above, several hypotheses are taken as follows:

- H<sub>1</sub>. Transformational leadership significantly influences job motivation.
- H<sub>2</sub>. Job motivation significantly influence job performance.
- H<sub>3</sub>. Transformational leadership significantly influences job performance.
- H<sub>4</sub>. Transformational leadership significantly influences job performance with job motivation as the intervening variable.

The Conceptual Framework in this study is given in Fig. 1

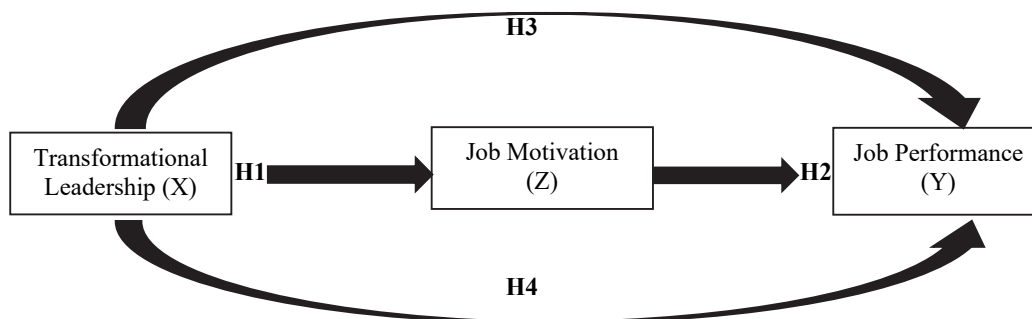


Fig. 1. Model Analysis

## 4. Research methods and the results

The research respondents were 285 employees of PT. Kereta Api Indonesia (Persero). Data was collected through the distribution of questionnaires provided directly and by using Google form. The transformational leadership variable (X) is measured with indicators developed by Bass and Avolio (1994), employee motivation variable (Y) is measured with intrinsic motivation indicators developed by Herzberg, while employee performance variable (Y) is measured with indicators developed by Dessler (2000). The measurement scale uses a Likert scale with 5 measurement scales. The analytical method used is the path analysis method (path analysis), which explains the direct and indirect effects of a variable on other variables. From 285 research respondents, 43% of respondents were women, and dominated by respondents over the age of 40 years by 29%. The last education was mostly high school with the percentage of 73%, and dominated by respondents with tenure of more than 10 years with a percentage of 55%. The validity test results show that all indicators of transformational leadership style variables (X), employee motivation (Z), and employee performance (Y) are declared valid, because they have item-total correlation values above the cut-off value of 0.30. The reliability test results show that the transformational leadership style (X)

has a Cronbach Alpha value of 0.885, employee motivation (Z) of 0.778, and employee performance (Y) of 0.834. Since each variable has a Cronbach Alpha value greater than the cut-off value of 0.60, it is declared reliable.

**Table 1**  
Results of Validity and Reliability Tests

Variables	Indicators	Corrected Item-Total Correlation	Cronbach Alpha
Transformational Leadership (X)	X <sub>1</sub>	0.649	0.885
	X <sub>2</sub>	0.658	
	X <sub>3</sub>	0.628	
	X <sub>4</sub>	0.631	
	X <sub>5</sub>	0.647	
	X <sub>6</sub>	0.631	
	X <sub>7</sub>	0.626	
	X <sub>8</sub>	0.638	
	X <sub>9</sub>	0.615	
Job Motivation (Z)	Z <sub>1</sub>	0.593	0.778
	Z <sub>2</sub>	0.558	
	Z <sub>3</sub>	0.540	
	Z <sub>4</sub>	0.516	
	Z <sub>5</sub>	0.571	
Job Performance (Y)	Y <sub>1</sub>	0.679	0.834
	Y <sub>2</sub>	0.673	
	Y <sub>3</sub>	0.615	
	Y <sub>4</sub>	0.605	
	Y <sub>5</sub>	0.624	

Source: Validity and Reliability Test Results

Model analysis is carried out through two stages, namely regressing the transformational leadership variable (X) on job motivation (Z), and then regressing the transformational leadership variable (X) and job motivation (Z) on job performance variable (Y). The path coefficient is calculated through two structural equations, namely the regression equation that shows the hypothesized relationship. The two structural equations are as follows:

$$Z = b1 X + e1$$

$$Y = b2 X + b3 Z + e2$$

**Table 2**  
Results of Regression Analysis of Transformational Leadership (X) on Job Motivation (Z)

Variable	Standardized Beta	Significant t (Sig)	Coefficient of Determination (R <sup>2</sup> )
Transformational Leadership (X)	0.521	0.000	0.272

Source: Results of Regression Analysis X - Z

The result shows that:

1. Transformational leadership variable (X) has a positive standardized beta coefficient, meaning that if the transformational leadership variable (X) increases, job motivation (Z) will increase as much as the standardized beta that is 0.521. The transformational leadership (X) has a significant influence to job motivation (Z), because it has error probability value (P) of 0,000, which is smaller than the significance level of 5% (0.05).
2. The magnitude of transformational leadership (X) contribution to job motivation variable (Z) is indicated by the coefficient of determination (R<sup>2</sup>) of 0.272. This means that 27.2% of changes in job motivation (Z) is determined by changes in transformational leadership (X), while the remaining 72.8% is determined by other factors not examined.

**Table 3**  
Results of Regression Analysis of Transformational Leadership (X) and Job Motivation (Z) toward Job Performance (Y)

Variable	Standardized Beta	Significant t (Sig)	Coefficient of Determination (R <sup>2</sup> )
Transformational Leadership (X)	0.223	0.023	0.684
Job Motivation (Z)	0.689	0.000	

Source: Results of Regression Analysis X, Z - Y

Based on the results of the analysis, it can be seen that:

1. Transformational leadership variable (X) has a positive standardized beta coefficient, meaning that if the transformational leadership variable (X) increases, job performance (Y) will also increase as much as its standardized beta value that is 0.223. Transformational leadership (X) has a significant effect on job performance (Y), since it has error probability value (P) of 0.023, which is smaller than the significance level of 5% (0.05).

2. Job motivation variable (Z) has a positive standardized beta coefficient, meaning that if the job motivation variable (Z) increases, job performance (Y) will increase as much as its standardized beta value that is 0.689. Job motivation (Z) has a significant effect on job performance (Y), because it has error probability value (P) of 0,000, which is smaller than the significance level of 5% (0.05).
3. The magnitude of transformational leadership (X) and job motivation (Z) contribution to job performance variable (Y) is indicated the coefficient of determination ( $R^2$ ) of 0.684. This means that 68.4% of changes in job performance (Y) is determined by changes in transformational leadership (X) and job motivation (Z), while the remaining 31.6% is determined by other factors not examined.

The overall results of phase I and phase II analysis can be illustrated in the path analysis as shown in Fig. 2. The value of  $e_i$  can be calculated by the formula  $e_i = \sqrt{(1-R^2)}$

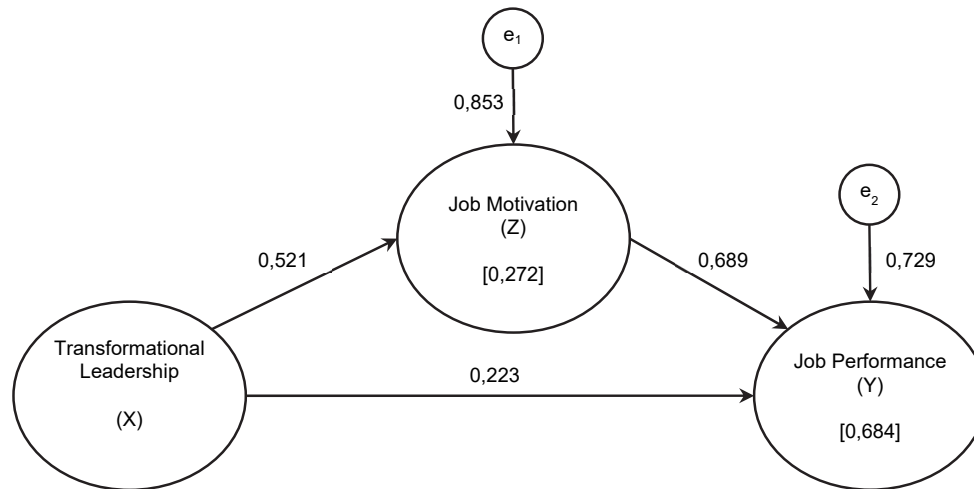


Fig. 2. Path Analysis Results

## 5. Discussion

### 5.1 Transformational Leadership Significantly Influences Job Motivation

The analysis shows that the significant value of t is 0,000 <significance level ( $\alpha$ ) 5% or 0.05, indicating that the transformational leadership variable (X) has a significant effect on job motivation (Z). Thus, the first hypothesis which states that the transformational leadership significantly influences employee motivation, **is accepted**. Leadership style aiming at improving subordinates may increase job motivation. Through an evaluation of each employees' abilities and potential, the leader is able to explore the employees' strengths and weaknesses so that they are more motivated and more responsible at work. A transformational leader is able to motivate employees to succeed in work and career. It is consistent with the opinion saying that transformational leaders are able to evaluate the potential of each subordinate to perform a task / job, while seeing the possibility of expanding the responsibilities and authority of subordinates, changing beliefs and attitudes to improve their work (Humphreys, 2002; Rafferty & Griffin, 2004; Yammarino et.al., 1993).

### 5.2 Job Motivation Significantly Influences Job Performance

The analysis shows that the significant value of t is 0.014 <significance level ( $\alpha$ ) 5% or 0.05, indicating that the job motivation variable (Z) has a significant effect on job performance (Y). Thus, the second hypothesis which states that job motivation has a significant effect on job performance, **is accepted**. Motivation will enable employees to take steps to facilitate the performance of a job in order to achieve work goals. Through motivation, employees' output will improve because they will be more creative and innovative in their work. Responsibilities given will be used well and not misused. Each employee wants to receive recognition from superiors and hence they work better. Through high motivation, job performance will get better and the contribution to the company will also be greater. It is in accordance with Armstrong's view (1994) that the relationship between motivation and performance is positive as highly motivated employees will also have high performance. Similarly expressed by Doyle and Wong (1998), "the success of a business is inseparable from the amount of motivation that appears in the personal employee".

### 5.3 Transformational Leadership Significantly Influences Job Performance

The analysis shows that the significant value of t is 0.023 <significance level ( $\alpha$ ) 5% or 0.05, indicating that the transformational leadership variable (X) has a significant effect on job performance (Y). Thus, the third hypothesis which states that transformational leadership has a significant effect on job performance, **is accepted**. It ensures that employees will

tend to follow leaders who have charisma and can inspire them. This type of leader is able to provide employees with intellectual stimulation and attention in order to improve the quality of their work. High commitment and leadership spirit will also make a greater contribution to the organization through employees. Employees tend to accept feedback, directions and improvements from their leaders if they admire their leaders. This result is the same as Chen's statement (2015), that transformational leadership can affect job performance because the leader can communicatively assign tasks to subordinates to have a positive effect on employee performance.

#### 5.4 Transformational Leadership Significantly Influences Job Performance with Job Motivation as the Intervening Variable

The analysis shows that the transformational leadership (X) has a significant effect on job performance (Y) with a significant value of  $t = 0.023$  <significance level ( $\alpha$ ) of 5% or 0.05, and also has a significant effect on job motivation (Z) as the intervening variable where the significant value of  $t$  is 0.000 <significance level ( $\alpha$ ) 5% or 0.05, and job motivation (Z) as an intervening variable also has a significant effect on job performance (Y) with a significant value of  $t$  equal to 0.000 <level of significance ( $\alpha$ ) 5 % or 0.05. Thus, the fourth hypothesis which states that transformational leadership significantly influences job performance with job motivation as an intervening variable, **is accepted**. This shows that in addition to having a direct effect on job performance, leaders with transformational style will foster job motivation at work, so that they can improve the employee work quality and make employees contribute more to the company. Motivation given by the leadership encourages employees to better complete tasks, so they are able to achieve better work performance. It is consistent with Chen's statement (2004) that the high support provided by the leadership will be able to provide high motivation for employees to work better.

## 6. Conclusion

Based on the analysis results, the following conclusions can be drawn:

1. Transformational leadership style has a significant positive effect on job motivation, the better the leader develops the potential and talent of the employee, the higher the employee's job motivation.
2. Job motivation has a significant positive effect on job performance, the higher the job motivation, the better the employee's job performance in carrying out the work.
3. Transformational leadership has a significant positive effect on job performance, the more creative the leader guides the employee, the better the employee's job performance will be.
4. Transformational leadership has a significant positive effect on job performance with job motivation as the intervening variable, which indicates that the high support shown by the leader will be able to provide high motivation to employees to work better.

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