THE EFFECT OF TRANSFORMATIONAL LEADERSHIP ON EMPLOYEE PERFORMANCE MEDIATED BY JOB SATISFACTION AND EMPLOYEE ENGAGEMENT

Retno Rafia
Achmad Sudiro
Sunaryo

ABSTRACT

This study aims to examine and analyze the effect between transformational leadership and employees performance on the Civil Servants of Public Housing and Settlement Areas of Central Java Province, both directly and through job satisfaction and employee engagement. This research was use a quantitative research methods and belongs to a type of explanatory research. A sample was all Civil Servants of the Department of Public Housing and Settlement Areas of Central Java Province who actively worked totaling 77 respondents. The sampling technique has been used with saturated or census samples. Data were analyzed using PLS (Partial Least Square) with the SmartPLS 3.0 program. The results were indicated that transformational leadership does not have a direct significant effect on employee performance, but has a direct significant effect on job satisfaction and employee engagement. Job satisfaction and employee engagement have a significant direct effect on employee performance and serve as a perfect mediation about the effect between transformational leadership and employee performance.

Keywords: transformational leadership, employee performance, job satisfaction, employee engagement

INTRODUCTION

Human resources are an important aspect on any organization and drive for factors of the organization's wheels, both profit-oriented and non-profit organizations. The success of an organization in achieves its goals with highly dependent on the quality of the human resources involved in it and organizational goals will not be achieved without the role of employees or employees. Good employee performance determines the success of achieving organizational goals effectively and efficiently which have an impact on organizational performance.

Employee performance is influenced by various factors. Mahmudi (2010) argued that many factors can influence to employee performance, which are personal / individual factors (knowledge, motivation and skills), leadership factors, team factors (cohesiveness and closeness of team members), and system factors (company culture). The leadership style also adopted in an organization will affect too many employee performance and ultimately have an impact on the success of achieving organizational goals.

Along with the current demands for bureaucratic reform, such to create better public services, government organizations are trying to make changes, so employee performance and organizational performance is increase it. The Department of Public Housing and Settlement Areas of Central Java Province as a government organization was also required to make changes. This change also requires any leaders who are able to lead the process. Bass in Luthans (2006) stated that transformational leadership brings conditions towards high performance in organizations that face demands for renewal and change. Transformational leadership can improve organizational performance and image.

Another factor that can affect to employee performance like a job satisfaction. This can be seen from the results of previous studies conducted by Miao and Kim (2010); Fu and Deshpande (2013); Yang and Hwang (2014); and Platis et al. (2015) which revealed that job satisfaction can improve to employee performance. Prabowo et al. (2018) stated that a job satisfaction is like perception of a pleasant or unpleasant emotional state in an employee when looking at his own work and also has an impact to employee performance.

Employee performance can also be influenced by employee engagement in an organization or agency. Previous research conducted by Anitha (2013); Bedarkar and Pandita (2014); Alagaraja and Shuck (2015) explained that employee engagement has a positive and significant influence on employee performance. Generally, employee engagement was defined as a level of commitment and employee involvement to the organization and its values (Anitha, 2013). When an employee is involved, he is aware of his responsibilities in business goals and motivates his colleagues for the success of organizational goals. Employee engagement is a good tool to help each organization strive to gain a competitive advantage over others.

Transformational leadership has a positive and significant effect on employee performance in accordance with the results of research by Walumbwa and Hartnell (2011), Atmojo (2012), Sundi (2013), Indrayanto et al. (2014), Pawirosumarto et al. (2017), Mahdinezad et al. (2017) and Otto (2018). But the results of Elgelal and Noemrijati's research (2014) and Prabowo et al. (2018) states the opposite. The existence of the research gap as well as the existing phenomena, this study aims to examine the effect of transformational leadership on the performance of employees of Civil Servants in the Housing and Settlement Areas of Central Java Province. The renewal of this study is to add job satisfaction and employee engagement as mediating variables.
TEORITICAL FRAMEWORK

Transformational Leadership
Transformational leadership is a type of leadership that is able to integrate creative insight, perseverance, energy, intuition, and sensitivity to employees and get many goals or desires on the organization and has an extraordinary impact on employees (Prabowo et al., 2018). Atmojo (2012) argued that a transformational leadership is leadership that nurtures with personal development needs of followers, stimulates, and inspires them to offer their best efforts in achieving organizational goals. Bass and Avolio (2003) in Atmojo (2012) discussed that transformational leadership is change-oriented leadership, where organizational vision is not only formulated, but also implemented through idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Four indicators of transformational leadership according to Bass and Avolio (2003) in Atmojo (2012) are used in this study.

Job Satisfaction
Job satisfaction is a happy emotional state or positive emotions that come from the assessment of one's work or work experience (Luthans, 2006). Another definition of job satisfaction is the perception of a pleasant or unpleasant emotional state in an employee when looking at his own work and that also has an impact on employee performance (Prabowo et al., 2018). Job satisfaction refers to the overall feeling of employee welfare at work (Miao and Kim, 2010). This situation is based on job assessments and work-related experience with some level of likes or dislikes. Indicators of job satisfaction were measured from five indicators namely job satisfaction with the job itself, salary, promotion opportunities, supervision or supervision and coworkers (Luthans, 2006).

Employee Engagement
Employee engagement is defined as the level of commitment and employee involvement on organization and its values (Anitha, 2013). Schaufeli and Bakker (2010) stated that basically, involvement is defined in terms of: (1) organizational commitment, more specifically affective commitment (ie, emotional bond with the organization) and continuance commitment (ie, desire to remain with the organization), and (2) extra role behavior (ie, discretionary behavior that encourages for effective functioning on organization). Engagement is characterized by the presence of vigor, dedication, and absorption characteristics. Vigor, dedication, and absorption indicators are used to measure a level of employee engagement.

Employee Performance
Performance is work performance, which is a comparison between work results and established standards (Dessler, 2000). According to the behavioral approach in management, performance is a quantity or quality for something produced or services provided by someone who does the work (Luthans, 2006). Rivai and Basri (2005) stated that a performance is result or overall level of success on a person during a certain period in carrying out the task compared to various possibilities, such as work standards, targets or predetermined by criteria that have been agreed upon. Moreover, employee performance was measured by six indicators such as quality, quantity, timeliness, effectiveness, independence, and work commitment (Mathis and Jackson, 2006).

RESEARCH CONCEPT FRAMEWORK

A model was used in this study refers to the theoretical framework supported by many results of previous research, which stated that transformational leadership affects employee performance in an organization even though it shows inconsistent results. Likewise, a job satisfaction and employee engagement will affect to employee performance. In this study, a job satisfaction and employee engagement are used as mediating variables between the effects between transformational leadership on employee performance as shown in Figure 1 as follows:

![Figure 1. Research Conceptual Framework](image-url)
The Effect of Transformational Leadership on Employee Performance

Leadership is a process on influence between leaders and subordinates in which a leader tries to behavior of subordinates and to achieve organizational goals (Voon et al., 2011). By adopting an appropriate leadership style, leaders can influence to job satisfaction, commitment, and employee performance. Bass (1990) in Luthans (2006) stated that transformational leadership brings conditions towards high performance in organizations that face demands for renewal and change. Transformational leadership can improve organizational performance and image. According to Walumbwa and Hartnell (2011), Atmojo (2012), Sundi (2013), Indrayanto et al. (2014), Pawirosumarto et al. (2017), Mahdinezhad et al. (2017), and Otto (2018), transformational leadership has a significant and positive effect on employee performance. Based on a description above, the hypothesis was formulated as follows:

H1: Transformational leadership has a significant effect on the performance of employees in the Department of Public Housing and Settlement Areas in Central Java Province.

The effect of transformational leadership on job satisfaction

Voon et al., (2011) shown that a transformational leadership style has a positive relationship with job satisfaction, while the transactional leadership style has a negative relationship with job satisfaction executive managers who work in the public sector in Selangor, Malaysia. This implies that transformational leadership has been considered suitable for managing government organizations. Saleem (2015); Muterera et al. (2015); Aloinderiene and Majauskaite (2016); Al-sada et al. (2017); and Boamah et al. (2017) stated that there was a positive and significant effect of transformational leadership on job satisfaction. From previous research studies, the hypothesis of this research is:

H2: Transformational leadership has a significant effect on job satisfaction in the Department of Public Housing and Settlement Areas in Central Java Province.

The effect of job satisfaction on employee performance

Elgelal and Noemrijati (2014) stated that employee job satisfaction will increase, because employees feel cared it. So, there is an influence between employees and company, which is employees will get job satisfaction and get a high performance from its employees. According to Miao and Kim's (2010); Fu and Deshpande (2013); Yang and Hwang (2014); and Platis et al. (2015), job satisfaction can improve to employee performance so the hypothesis of this study is:

H3: Job satisfaction has a significant effect on employee performance in the Department of Public Housing and Settlement Areas in Central Java Province.

The effect of transformational leadership on employee engagement

Transformational leadership style has a positive relationship with employee engagement. This style is desirable, inspires, and motivates employees to work towards organizational goals and leaders are able to attract the best subordinates by expressing confidence in their abilities. Zhang et al. (2014); Popli and Rizvi (2015); and Popli and Rizvi (2016) stated that transformational leadership has a direct influence and can increase employee engagement so the hypothesis of this study is:

H4: Transformational leadership has a significant effect to employee engagement in the Department of Public Housing and Settlement Regions of Central Java Province.

The effect of employee engagement on employee performance

Anitha (2013); Bedarkar and Pandita (2014); Alagaraja and Shuck (2015) stated that employee engagement has a positive and significant influence on employee performance. From the results of the previous research, the hypothesis of this study was:

H5: Employee engagement has a significant effect on the performance between employees in the Department of Public Housing and Settlement Areas in Central Java Province.

The effect of job satisfaction and employee engagement as a mediating variable

Prabowo et al. (2018) stated that job satisfaction fully mediates an effect between transformational leadership and employee performance. Whereas Bedarkar and Pandita’s (2014) research concluded that companies must give freedom to their employees and make their work interesting, then also create an environment by a working life involved. Employee engagement must be a process of learning, improvement and action that is sustainable, then integrated in the company culture. This study places job satisfaction and employee engagement as mediating variables to investigate the indirect effect of transformational leadership on employee performance. The hypothesis is as follows:

H6: Job satisfaction mediates the effect between transformational leadership and employee performance in the Office of Public Housing and Settlement Regions of Central Java Province.

H7: Employee engagement mediates the effect between transformational leadership and employee performance in the Office of Public Housing and Settlement Regions of Central Java Province.

RESEARCH METHODS

This study was used a quantitative approach. Based on the research objectives, this type of research is explanatory research. This research was conducted at the Department of Public Housing and Settlement Areas of Central Java Province. The population were all employees of Civil Servants who actively working. The sampling technique also used by saturated or census samples where all members of the population are sampled (Sugiyono, 2015). Primary data is obtained offline by sharing directly with respondents. Respondents fill out or answer the statement items or questions on the questionnaire related to the variables in this study. Respondents in this study numbered 77 people and the return rate of the questionnaire was 77 or 100% and all of them were validly used. The variable measurement technique also uses a Likert scale and the data analysis technique uses SmartPLS 3.0.
RESEARCH RESULT

Characteristics of Respondents
By 77 respondents, the majority of respondents who dominated had been following characteristics such as 51-55 years old with 33 people (42.86%), male sex as many as 55 people (71.43%), had a class III of 51 people (66.23%), had a final education level of D4 / undergraduate (S1) of 29 people (37.66%), were 74 people married (96.10%), and had a working period of 25-30 years old with 31 people (40.26%).

Testing a Measurement Model (Outer Model)
Testing a measurement model was used by 3 tests such as covergen validity, discriminant validity, and reliability. From the whole test, the results shown that all items have a loading factor value > 0.5, a cross loading value of each item on the latent variable has a highest value compared to the value for any items on other variables, the composite output reliability value > 0.7, the conbrach's alpha value > 0.7, and the value of AVE > 0.5. So, it can be concluded that all research items are valid and reliable.

Structural Model Testing (Inner Model)
Structural model testing has three ways, such as seeing the value of R-Square, Q-Square, and Goodness of Fit (GoF). Employee performance variable has an R-square value of 0.772, so it was categorized as a strong model (Ghozali and Latan, 2011). This value shown that employee performance variables can be explained by the variables of transformational leadership, job satisfaction, and employee engagement by 77.2%. While, the remaining of 22.8% is a contribution for other variables that not discussed in this study. Q-Square value of 0.964 indicates a strong research model because its value is close to 1 (Ghozali and Latan, 2015). Generally, a GoF value of 0.559 indicated that a structural model has a large or strong nature, which has research model with a high ability to explain empirical data (Ghozali and Latan, 2015).

Hypothesis Test
A basis for making decisions with testing hypotheses in this study is use a t-statistic test such as if the t-statistic value ≥ t-table (1.96) and the probability value ≤ level of significance (α = 5%). Then, it can be stated that there is a significant influence between independent variable and dependent variable (Ghozali and Latan, 2015).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Path Coefficient</th>
<th>T-Statistics</th>
<th>P-Values</th>
<th>Noted</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>TL → EP</td>
<td>0.149</td>
<td>1.130</td>
<td>0.259</td>
<td>Not significant</td>
<td>H1 Rejected</td>
</tr>
<tr>
<td>TL → JS</td>
<td>0.785</td>
<td>13.891</td>
<td>0.000</td>
<td>Significant</td>
<td>H2 Accepted</td>
</tr>
<tr>
<td>JS → EP</td>
<td>0.559</td>
<td>3.505</td>
<td>0.000</td>
<td>Significant</td>
<td>H3 Accepted</td>
</tr>
<tr>
<td>TL → EE</td>
<td>0.766</td>
<td>12.973</td>
<td>0.000</td>
<td>Significant</td>
<td>H4 Accepted</td>
</tr>
<tr>
<td>EE → EP</td>
<td>0.222</td>
<td>2.034</td>
<td>0.042</td>
<td>Significant</td>
<td>H5 Accepted</td>
</tr>
<tr>
<td>TL → JS → EP</td>
<td>0.439</td>
<td>3.370</td>
<td>0.001</td>
<td>Significant</td>
<td>H6 Accepted</td>
</tr>
<tr>
<td>TL → EE → EP</td>
<td>0.170</td>
<td>1.994</td>
<td>0.047</td>
<td>Significant</td>
<td>H7 Accepted</td>
</tr>
</tbody>
</table>

Source: Primary Data Processed (2020)
Noted:
TL = Transformational Leadership
EP = Employee Performance
JS = Job Satisfaction
EE = Employee Engagement

DISCUSSION

The Effect Between Transformational Leadership and Employee Performance
The results of data analysis show the t-statistic value is smaller than the t-table value (1.130<1.96). This means that transformational leadership has no significant effect on performance so H1 is rejected. The results of this study are not in line with the research of Walumbwa and Hartnell (2011), Atmojo (2012), Sundi (2013), Indrayanto et al. (2017), Pawirosumarto et al. (2017), Mahdinezhad et al. (2017) and Otto (2018), but in line with the research results of Elgelal and Noermijati's (2014), and
Prabowo et al. (2018) which stated that transformational leadership has no significant effect on employee performance. This is due to a fact on the ground today where in addition to receiving salaries and other benefits each month in accordance with applicable regulations, civil servants also get additional employee income based on performance.

Provision with additional income or welfare factors have received by a strong driver for high and low performance of civil servants, so the transformational leadership style applied by leaders does not determine a performance of civil servant employees in the Department of Public Housing and Settlement Areas of Central Java Province. It also cannot be separated from increase demands of the current workload, so civil servants need welfare guarantees for themselves and their families.

The Effect of Transformational Leadership on Job Satisfaction
The results of data analysis show the t-statistic value is greater than the t-table value (13.891>1.96). This means that transformational leadership has a significant influence on job satisfaction so H2 is accepted. A path coefficient value of 0.785 shown a positive sign that indicates by more effective or better transformational leadership is applied, the higher level of job satisfaction on civil servants in the Department of Public Housing and Settlement Regions of Central Java Province. These findings are in line with the findings of Voon et al. (2011); Saleem (2015); Muterera et al. (2015); Aloinderiene and Majauskaite (2016); Al-sada et al. (2017); and Boamah et al. (2017) which shown that transformational leadership has a significant effect on job satisfaction.

The Effect Between Job Satisfaction and Employee Performance
The results of data analysis show the t-statistic value is greater than the t-table value (3.505>1.96). This means that job satisfaction has a significant effect on employee performance so that H3 is accepted. Path coefficient value of 0.559 and positive sign indicates that higher job satisfaction felt by a civil servant employee in the Department of Public Housing and Settlement Regions of Central Java Province. It will improve to the performance on civil servant employees in the Department of Public Housing and Settlement Areas of Central Java Province. The results are in line with the results of Miao and Kim (2010); Fu and Deshpande (2013); Yang and Hwang (2014); and Platis et al. (2015) which stated that job satisfaction has a significant influence on employee performance.

The Effect of Transformational Leadership on Employee Engagement
The results of data analysis show the t-statistic value is greater than the t-table value (12.973>1.96). This means that transformational leadership has a significant influence on employee engagement so that H4 is accepted. A path coefficient value of 0.766 and shown a positive sign that indicates for more effective and good transformational leadership, higher a level of employee engagement will be. Conversely, lower a transformational leadership, also lower a level of employee engagement. This is in line with research conducted by Zhang et al. (2014); Popli and Rizvi (2015); and Popli and Rizvi (2016) who shown that transformational leadership has a direct influence and can increase an employee engagement.

The effect of employee engagement on employee performance
The results of data analysis show the t-statistic value is greater than the t-table value (2.034>1.96). This means that employee engagement has a significant influence on employee performance so that H5 is accepted. Path coefficient value of 0.222 and positive sign indicates that the higher or greater the level of employee engagement, the employee's performance will increase and vice versa. This is in line with research conducted by Anitha (2013); Bedarkar and Pandita (2014); and Alagaraja and Shuck (2015) who show that employee involvement has a positive and significant influence on employee performance.

The Effect of Job Satisfaction and Employee Engagement as Mediation Variables
The result of data analysis show the effect of transformational leadership on employee performance through job satisfaction has a t-statistic value greater than the t-table value (3,370>1.96). This means that transformational leadership has a significant influence on employee performance through job satisfaction so that H6 is accepted. Referring to the opinion of Hair et al. (2010) if the effect of exogenous variables on mediating variables and the effect of mediating variables on endogenous variables is significant but the effect of exogenous variables on endogenous variables is not significant, then it is declared as complete mediation. This finding is in line with the research results of Prabowo et al. (2018) which states that job satisfaction fully mediates the effect of transformational leadership on employee performance. Likewise, the results of data analysis show the effect of transformational leadership on employee performance through employee engagement also has a t-statistic value greater than the t-table value (3,370>1.96). This means that transformational leadership has a significant influence on employee performance through employee engagement so that H7 is accepted. This indicates that the better or more effective the transformational leadership style is applied supported by employee engagement, the more it will improve employee performance.

CONCLUSION
This research contributes to the conceptual development of the influence of transformational leadership on employee performance especially in non-profit oriented public sector organizations. Transformational leadership has not proven able to improve an employee performance. This indicated that transformational leadership style was applied does not have a direct impact or influence on the performance of Civil Servants employees in the Department of Public Housing and Settlement Areas of Central Java Province.

Transformational leadership has a direct effect on job satisfaction and employee engagement. This shown the role of leader also provides attention, motivation, and challenges to subordinates by increasing a job satisfaction and employee engagement.
Job satisfaction and employee engagement directly influence to employee performance. This shown that higher a job satisfaction or employee engagement will be able to improve the performance of civil servants in the Department of Public Housing and Settlement Regions of Central Java Province.

Job satisfaction and employee engagement mediate the effect between transformational leadership and employee performance. The mediating role of job satisfaction in this research is complete mediation.

**RESEARCH LIMITATIONS**

The limitation is an object for only one location or one non-profit government organization, so the results cannot be generalized to all government organizations both profit and non-profit.

**SUGGESTION**

Future research is expected to involve several objects on government organizations, so many research results can be generalized to a wider population. Future research can add and examined that for other variables not included in this study, for example transactional leadership style, personality factors, work motivation, and organizational culture. Future studies can use other research methods such as qualitative methods, so they can get a more detailed and in-depth picture.

The Office of Public Housing and Settlement Areas of Central Java Province must pay attention to a job satisfaction from PNS employees, because it has a very large direct influence on the performance. Eventually, some kinds of indicators for satisfaction with supervision have more stronger or dominant contribution to employee job satisfaction that affects to employee performance.

The role of any leader as a mentor for subordinates in developing to their potential with a higher level, which are employees feel happy and get valued. So, a job satisfaction is high and ultimately affects to their performance. Leaders are expected to be able to adopt leadership styles that are appropriate to the conditions and situations that exist in the field so as to effectively improve employee performance. It aims to achieve organizational goals effectively and efficiently.

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Retno Rafia
Master’s Student of Management,
Faculty of Economic and Business,
Universitas Brawijaya

Achmad Sudiro
Faculty of Economic and Business,
Universitas Brawijaya

Sunaryo
Faculty of Economic and Business,
Universitas Brawijaya