

# The Attributes of Leadership Styles Influence on Employee Performance mediated by Job Satisfaction: Evidence on Textile and Shoe Industry in Salatiga City

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## ABSTRACT

This research aimed to examine the effect of transactional and transformational leadership styles on employee performance mediated by job satisfaction. This research was followed by 100 employees in the production division of a textile and shoe company in Salatiga. This research used social exchange theory and PLS-SEM (Partial Least Square-Structural Equation Method) analysis. The results of this research indicated that job satisfaction has a significant influence in mediating the relationship between transformational leadership and employee performance, while transactional leadership has less significant influence. Therefore, the results of this research could be used as a support for Social Exchange theory which focuses on employee interaction in increasing motivation to provide maximum performance and develop good relations with superiors.

## Introduction

Human resources are essential in developing a company to compete cooperatively (Akbar, 2018). Human resources can process, organize, and design various strategies to provide maximum results for the company (Hafiz, 2018). Various conditions are given to human resources, which are workers in a company because the quality of human resources determines the company's quality. As stated by Hamid (2017), human resources are leaders and employees who must have knowledge, experience, and cooperation in achieving a company's vision, mission, and goals. Therefore, companies must have leaders who are firm, authoritative, and able to motivate employees to work so that employee performance can significantly influence company development (Yanoto, 2018).

There are various effects on employee performance, one of which is discipline. According to Suparyanto & Rosad (2015), discipline provides rules for employees to maintain work ethics, time, dress, and work results. If the company does not have discipline, various problems will occur within the company, for example, a textile and shoe company in Salatiga, especially in the production division. Discipline was still in the low category in the production sector, such as employees who arrived late, were too individual, and needed more motivation to perform well for the company. Even though the production division has an essential role in producing products so that the company can run well. The solution to this problem is the role of a leader who is responsible for disciplining employees at work. Leaders must be able to motivate employees to provide maximum performance. Leaders can give appreciation to employees who are disciplined and give good performance. Therefore, leaders must pay attention, assess, and appreciate employees who are disciplined and provide good performance. Leaders must also warn employees who are undisciplined and need to work better.

Leadership style also affects employee performance because employees can be motivated to provide maximum performance (Siti et al., 2020). It is a factor in developing the quality of the company. According to Setiawan (2017), leadership style is the basis a leader must have in leading a company. Because work productivity can increase with a quality leadership style. As Dewi (2017) stated, leadership style focuses on quality direction by leaders to their subordinates, which aims to provide job satisfaction and employee

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performance. According to Nasution (2018), there are two types of leadership styles, namely the Transformational leadership style, which focuses on trust and loyalty and will make employees respect their leaders to bring change to employees involved in the company. The Transformational Leadership Style inspires employees to improve their performance more effectively. In this case, the leader can socialize all regulations, standard processes, procedures, and provisions that apply to employees so that leadership runs effectively (Ratnamiasih, 2014). However, on the other hand, transformational leadership can also harm employee performance because leaders only provide motivation without direct examples to employees, and differences between leaders and employees impact decreasing employee performance (Setyowati & Etikariena, 2019). In addition, transactional leadership shows expertise in the field so that it can master work problems, correct mistakes made by employees, and provide awards or rewards for good employee performance (Farantia, 2017). On the contrary, the transactional leadership style does not have a significant effect because the leader has given rewards. However, if the employee's performance is poor, the leader will give his employees consequences (dismissal) or fines. The lack of rewards given by the leadership to employees who perform achieve employees whose performance could be better, but the reward remains the same (Johnathan, 2017).

The researcher found a research gap: the effect of transactional and transformational leadership styles on employee performance. The researcher uses the Social Exchange theory Thibaut and Kelley (1978) developed to fill the research gap. This research also used job satisfaction as a mediating variable in this research. Social Exchange Theory focuses on the interaction of each individual that affects the satisfaction index, which is based on the positive and negative impacts on the relationship between individuals. Leadership must influence employee job satisfaction by providing motivation and rewarding employees based on employee performance within the company (Amalia & Utami, 2018). Job satisfaction is vital in developing company quality because employees will be motivated to commit to the company. However, if employees do not get job satisfaction, employee turnover will occur, which can reduce employee work productivity and directly impact the company (Bekti, 2018).

From the explanation above, the researcher can formulate four problems in this research. The first is, what are the essential factors of industrial employees' performance in Indonesia? This problem is based on transactional leadership and transformational leadership. Secondly, what are the effects of transformational and transactional leadership on the job? Thirdly, what is job satisfaction toward employee performance? The fourth is the effect of leadership on employee performance, which is mediated by job satisfaction. This problem is based on social exchange theory. In addition, the researcher also examined job satisfaction, which is used as a mediating relationship between transactional leadership, transformational leadership, and employee performance. So that the results of this research can provide the latest information and as a source that can support further research.

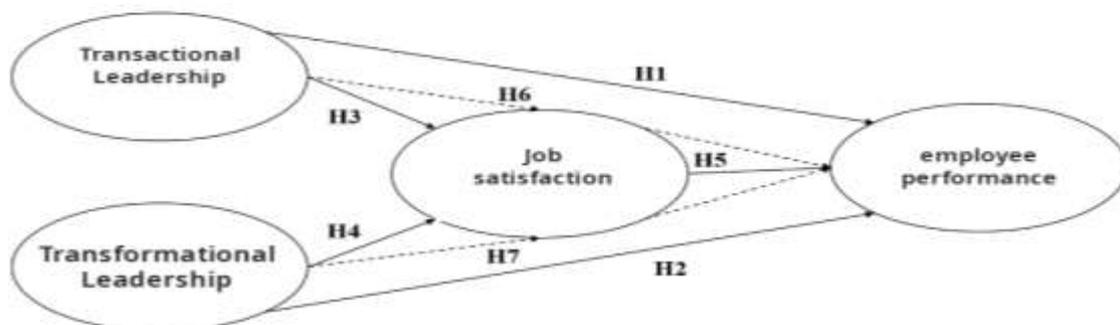


Figure 1. Conceptual Model of Research

## Method

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This research focused on developing a construct strategy based on previous sources. Transactional leadership has five assessments, namely the leader gives rewards to employees who provide good performance, the leader gives reprimands and warnings to employees who lack discipline, the leader gives direct work instructions, the leader must be firm, and always monitor employee performance (Hayati et al., 2018). Transformational leadership also has five assessments, namely leaders listen to employees' opinions, leaders encourage employees to provide innovation in increasing work productivity, leaders who work together with employees in overcoming a problem, motivate employees to play an active role in developing the company, and make employees more creative (Ribeiro et al., 2018). In addition, there are five components in assessing job satisfaction based on leader appreciation, namely job targets, employee welfare, work environment, work target bonuses, promotion of work career advancement (Yuen et al., 2018). There are five assessments for employee performance, namely increasing work productivity, working in supervisory duties, minimizing mistakes at work, completing tasks with targets, achieving targets every year (Pio et al., 2020).

The researcher asked respondents to assess each component of the assessment using a Likert scale, namely point 1 means strongly disagree and 5 means strongly agree. This type of research uses explanatory causal relationships between variables with a quantitative approach. The population of this research were 100 textile and shoe company employees in Salatiga, especially in the production division. The researcher chose textile and shoe companies in Salatiga City because the two private companies have many employees and are engaged in manufacturing which have different production. The researcher obtained the respondent's data sent by e-mail, eighty-two complete questionnaires representing 82 percent.

This research aimed to examine the effect of transactional leadership and transformational leadership directly and indirectly on employee performance which is mediated by job satisfaction in a shoe and garment company in Salatiga City. This research used the PLS-SEM method to evaluate conceptual models compiled using SmartPLS. In addition, this research also used convergent validity to test a questionnaire instrument based on a large scale. Validity testing can be stated valid if the outer loading is higher than 0,7, the reliability of the composite is higher than 0,8, and the average extraction of variance (AVE) must be greater than 0,5 (Fornell & Larcker, 1981). The results show that the research model fits the criteria based on factor loading, composite reliability, and AVE so that it can be used as a guide in convergent validity.

Researcher used the HTMT as the basis for calculating this research because HTMT can be used as an alternative way to assess discriminant validity. The HTMT score must be less than 0,9 which aims to determine the discriminant validity of the two reflective variables (Henseler et al., 2015). In addition, the goodness of fit is also explained satisfactorily. Standardized Root Mean Square Residual (SRMR) = 0,052. Normal Fit Index (NFI) = 0,914 which is used to determine the model. SRMR score <0,08 and NFI score >0,9 (Henseler et al., 2015). In conclusion, the researcher explained that the statistical conceptual model is valid so that all hypotheses can be tested properly.

## Results and Discussions

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The results of this research showed that transactional leadership did not have a significant effect on employee performance. This is evidenced by  $\beta = 0,166$ ,  $p > 0,05$  results. The previous research also showed that transactional leadership cannot develop employee performance because leader appreciation is not by the workload given by company leaders (Johnathan, 2017). The transactional leadership style tended not to provide space for independent thinking and did not consider the emotions or values of others. Employee creativity was still limited because the goals and ways to achieve them had been set. The transactional leadership style did provide motivation, but there was a tendency for employees to be motivated by incentives and not by the organization or company. In addition, there is a tendency for incentives to be given only in practical forms, such as money and allowances. This could have an impact on decreasing employee performance.

However, the results of this research indicated that transformational leadership has a significant influence on employee performance. This is supported by the results of the data  $\beta = 0,399$ ,  $p < 0,01$ . This result supported previous research, which stated that transformational leadership can develop employee

performance because of the appreciation given by leaders under the workload given by leaders (Ali & Farid, 2016). Employees show job satisfaction, which is the basis for developing employee performance. They feel their leaders are close to them, understand their wants and needs, and become role models within the company. Therefore, leaders must be able to motivate employees to provide good performance with quality leaders.

The results of this research also indicated that indirect transactional leadership did not significantly affect employee performance, which is mediated by job satisfaction. This is evidenced by the results of the data  $\beta = 0,026$ ,  $p > 0,05$ . The transactional leadership style tends not to provide space for independent thinking. Employee creativity is minimal because the company has determined the goal of how to achieve it. Another factor could be the reward and punishment system that has not been maximized. Transactional leadership is very closely related to reward and punishment; an inappropriate reward and punishment system is the reason this cannot affect employee performance or satisfaction. Utami (2015) revealed that rewards and punishments must be appropriate and fair to achieve the primary goal of increasing employee performance. These findings indicate that job satisfaction cannot link transactional leadership and employee performance.

The result of this research also showed that transformational leadership indirectly has a significant influence on employee performance, which is mediated by job satisfaction. This is evidenced by the results of the data  $\beta = 0,114$ ,  $p < 0,05$ . Leaders are responsible for creating conditions that motivate employees to achieve the goals set. A leader must maintain harmony between fulfilling individual needs, directing individuals to organizational goals, and making employees comfortable. The transformational leadership style will make the work environment more comfortable (Sidik & Sutoyo, 2020). The better a leader's transformational leadership style, the more satisfied employees will be in working for a company or organization. The leaders are trying to establish a harmonious relationship between leadership and employee satisfaction. Job satisfaction has an essential role in motivating employees to give their best performance. Leaders with a transformational style must pay attention to coaching and training for all workers so that they significantly influence the development of work productivity. The results of this research are supported by (2018), who states that the results of transformational leadership have a positive effect on employee performance. Job satisfaction is a partial mediator that can be used to fill research gaps that focus on the influence of transformational leadership on employee performance.

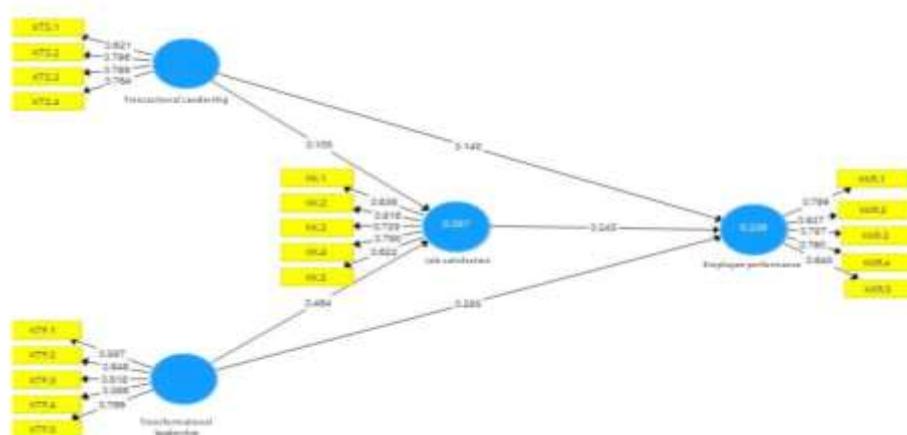


Figure 2. Results of findings analysis

This theoretical contribution supports the theory of Social Exchange by Thibaut and Kelley (1978), which explains that every human being who interacts or establishes a relationship with humans will calculate gains or losses so that humans will calculate the relationship satisfaction index. The implications of this research are the theoretical implications of focusing on job satisfaction as a mediation of transactional and transformational leadership styles on employee performance and the practical implications of focusing on employee job satisfaction, which is more important than leadership style. Therefore, a transformational leadership style can make employees feel more satisfied because employees feel closer to their superiors by motivating subordinates to act better; in other words, it can increase the self-confidence or self-confidence of subordinates. When employees feel their needs are met and the influence of the work environment is following what employees need, employees feel satisfied. This work

dramatically affects employee performance. With this, employees will work better and improve their work to get what the company wants. Job dissatisfaction will be very detrimental to the company. Employees will do things that should not be done, such as strikes and absenteeism, and impact employee loyalty, resulting in high turnover. So, the job satisfaction factor is vital in improving employee performance.

## Conclusion and Suggestion

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Transformational leadership style has a significant influence on employee performance and job satisfaction because leaders who apply a transformational leadership style must approach employees to understand the aspirations or desires of employees so that employees feel close and comfortable in their work environment. Leaders who apply a transformational style will also pay attention to guiding their employees according to the characteristics of the employees they lead to increase employee performance. Job satisfaction is also a significant factor when employees feel their needs are met, and the influence of the work environment is what employees need so employees feel satisfied with their jobs; this dramatically influences employee performance in developing company quality. In addition, transactional leadership does not significantly affect employee performance and job satisfaction, so research can examine companies engaged in industry or conduct research on business premises.

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