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The effect of transformational leadership style on employee performance through job satisfaction as a mediating variable

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Abstract

This study aims to analyze the influence of transformational leadership style on employee performance, considering the role of job satisfaction as a mediating variable. The research employs a quantitative approach with data analysis conducted using Partial Least Squares-Structural Equation Modeling (PLS-SEM). Data were collected through a survey utilizing questionnaires distributed to 150 respondents working under transformational leadership. The findings indicate that transformational leadership style significantly affects employee performance. Job satisfaction also has a direct impact on employee performance and mediates the relationship between transformational leadership style and employee performance. This mediation effect is partial, as transformational leadership style retains a significant direct effect. The study contributes to the literature on leadership and human resource management by emphasizing the importance of job satisfaction as a mediating mechanism. Practical implications include the development of transformational leadership training programs and the enhancement of organizational strategies to support job satisfaction.

Keywords: Transformational Leadership; Job Satisfaction; Employee Performance; Mediation; PLS-SEM

1. Introduction

Human resources (HR) is one of the most strategic assets in the organization, which plays an important role in achieving company goals. In the era of global competition, organizations are required to improve employee performance on an ongoing basis. One of the factors that influence employee performance is leadership style. Effective leadership can create a conducive work environment, increase motivation, and support the development of employee potential. Transformational leadership style has been identified as one of the approaches capable of motivating employees to achieve higher performance through inspirational influence and individualized attention. However, the effectiveness of transformational leadership style cannot be separated from the role of mediating variables, such as job satisfaction. Job satisfaction reflects the extent to which an employee feels satisfied with their job, which in turn can affect their performance levels. Thus, a deep understanding of the relationship between transformational leadership style, job satisfaction, and employee performance is becoming increasingly important in the context of human resource management. This research focuses on quantitative analysis to examine the effect of transformational leadership style on employee performance with job satisfaction as a mediating variable. The analysis method using SMARTPLS makes it possible to identify causal relationships between variables more comprehensively, thus making a significant contribution to the development of management theory and practice.

The formulation of the problem in this study includes first how the effect of transformational leadership style on employee job satisfaction. Next, how does job satisfaction affect employee performance. Finally, whether job satisfaction mediates the relationship between transformational leadership style and employee performance. This study aims to First, analyze the effect of transformational leadership style on employee job satisfaction. Next, analyze the effect of job

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satisfaction on employee performance. Finally, examine the role of job satisfaction as a mediating variable in the relationship between transformational leadership style and employee performance. Transformational leadership style has been widely studied in the management literature as one of the effective approaches to improve individual and organizational performance. Several previous studies have shown that this leadership style can influence job satisfaction and employee performance through intrinsic motivation mechanisms (Bass & Avolio, 1994; Judge & Piccolo, 2004). On the other hand, research using the SMARTPLS analysis method to test causal relationships between variables is still limited, especially in the context of organizations in Indonesia. Therefore, this study seeks to fill the void by providing relevant empirical evidence.

Previous research by Bass and Avolio (1994) stated that transformational leadership plays a role in increasing employee motivation and performance through inspiration and empowerment. Another study by Judge and Piccolo (2004) identified that job satisfaction is one of the important factors mediated by leadership style. Research in Indonesia by Wijayanti (2020) found that job satisfaction contributes significantly to improving employee performance, but has not integrated SMARTPLS-based analysis to describe complex relationships between variables. Based on the review of previous research, there are several research gaps that can be identified first, there are still limited studies that integrate transformational leadership style, job satisfaction, and employee performance in one comprehensive research model. Next, the lack of use of SMARTPLS analysis methods to explore causal relationships between variables in the context of organizations in Indonesia. Finally, there is a lack of research that examines the mediating role of job satisfaction in the relationship between transformational leadership style and employee performance.

The main objective of this study is to make theoretical and practical contributions in the field of human resource management by first, Identifying the direct effect of transformational leadership style on job satisfaction and employee performance. Next, Measuring the mediating role of job satisfaction in the relationship between transformational leadership style and employee performance. Finally, Providing practical recommendations for organizations in developing leadership strategies to improve employee performance in a sustainable manner.

2. Material and methods

2.1. Transformational Leadership Style

Transformational leadership style is defined as the leader's ability to inspire, motivate, and empower employees to achieve optimal performance (Bass & Avolio, 1994). Transformational leaders use approaches that emphasize individual development, provide a clear vision, and create organizational commitment. In an organizational context, transformational leadership style has been shown to increase work engagement, job satisfaction, and employee performance (Judge & Piccolo, 2004).

2.2. Job Satisfaction

Job satisfaction is the positive feelings employees have toward their jobs, which includes evaluations of aspects such as working conditions, pay, relationships with coworkers, and development opportunities (Locke, 1976). Job satisfaction plays an important role in determining employee motivation and productivity, as well as being one of the main indicators of work well-being. Previous research shows that job satisfaction can be mediated by leadership style and contributes significantly to employee performance (Luthans, 2011).

2.3. Employee Performance

Employee performance reflects the achievement of work results that meet or exceed organizational standards. According to Campbell (1990), employee performance is influenced by various factors, including motivation, ability, and support from the work environment. Leadership style and level of job satisfaction are two major determinants that significantly affect individual performance in organizations.

2.4. Relationship Between Variables

Research by Bass and Avolio (1994) shows that transformational leaders are able to increase job satisfaction by creating a positive work environment and empowering employees. Inspirational leaders provide emotional support, which in turn increases the level of job satisfaction. According to Locke (1976), job satisfaction is a major predictor of employee performance. Employees who are satisfied with their jobs tend to show higher commitment and better productivity. Previous research (Judge & Piccolo, 2004) states that job satisfaction can act as a mediating variable in the relationship between transformational leadership style and employee performance. Transformational leaders not only increase job satisfaction, but also indirectly affect performance through increased motivation and well-being.

Based on the literature review, the hypothesis of this study is formulated as follows:

- H1: Transformational leadership style has a positive effect on employee job satisfaction.
- H2: Job satisfaction has a positive effect on employee performance.
- H3: Job satisfaction mediates the relationship between transformational leadership style and employee performance.

2.5. Research Methodology

This research is a quantitative study that aims to test the causal relationship between the variables in the research model, namely transformational leadership style, job satisfaction, and employee performance. The quantitative approach was chosen because it allows an objective, measurable, and generalizable analysis based on data obtained from respondents. The population in this study were employees working in paper companies in East Java, who met the criteria of having at least one year of work experience and being under the direct supervision of a leader. The sampling technique used is purposive sampling, with specific criteria to ensure that respondents have relevance to the research variables. The sample size was determined based on this method, which resulted in a sample size of 150 respondents. The research data was collected using a questionnaire consisting of three main sections First, Respondent Demographic Data: Includes information such as age, gender, education level, and length of employment. Next, Variable Measurement Instruments: Transformational Leadership Style: Measured using a scale adapted from the Multifactor Leadership Questionnaire (MLQ) developed by Bass and Avolio (1994). Job Satisfaction: Measured using the Job Satisfaction Survey (JSS) scale developed by Spector (1985). Employee Performance: Measured based on employee self-assessment using indicators developed by Campbell (1990). Finally, each item in the questionnaire uses a 5-point Likert scale, where 1 indicates "strongly disagree" and 5 indicates "strongly agree". Data was collected through an online survey for time efficiency and reach. Data analysis used SEM with the help of SmartPLS.

3. Result

Table 1 Construct Validity And Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Leadership Style	0.875	0.89	0.908	0.665
Job Satisfaction	0.823	0.823	0.894	0.738
Employee Performance	0.769	0.773	0.867	0.685

Table 1 shows the validity and reliability of the instrument will be tested using SMARTPLS where from the results of the Convergent Validity Test using the loading factor value (>0.7) and Average Variance Extracted (AVE> 0.5) all assumptions are met. Discriminant Validity Test using the Fornell-Larcker Criterion value and Reliability Test using Composite Reliability (>0.7) and Cronbach's Alpha (>0.7) also meet the requirements.

Table 2 Causal Relationship

	Original Sample(O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Leadership Style -> Job Satisfaction	0.514	0.519	0.058	8.812	0.000
Leadership Style -> Employee Performance	0.319	0.323	0.071	4.506	0.000
Job Satisfaction -> Employee Performance	0.267	0.268	0.063	4.254	0.000

Table 2 shows that the results of data analysis using PLS-SEM show a significant relationship between the variables studied. The following are the main findings of this study:

3.1.1 Transformational Leadership Style and Employee Performance

Transformational leadership style has a positive and significant influence on employee performance with a path coefficient value of 0.319 ($p < 0.05$). These results indicate that leaders who are able to provide inspiration, vision, and support to employees can improve their performance.

3.1.2 Job Satisfaction and Employee Performance

Job satisfaction also shows a significant influence on employee performance with a coefficient value of 0.267 ($p < 0.05$). Employees who feel satisfied with their jobs are more motivated to work optimally.

Table 3 Indirect effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Leadership Style -> Job Satisfaction					
Leadership Style -> Employee Performance	0.138	0.139	0.035	3.925	0.000
Job Satisfaction -> Employee Performance					

3.1.3 Job Satisfaction and Employee Performance

Job satisfaction is proven to mediate the relationship between transformational leadership style and employee performance. This mediation effect is partial with an indirect effect value of 0.138 ($p < 0.05$). This shows that transformational leadership style not only affects performance directly but also through increased job satisfaction.

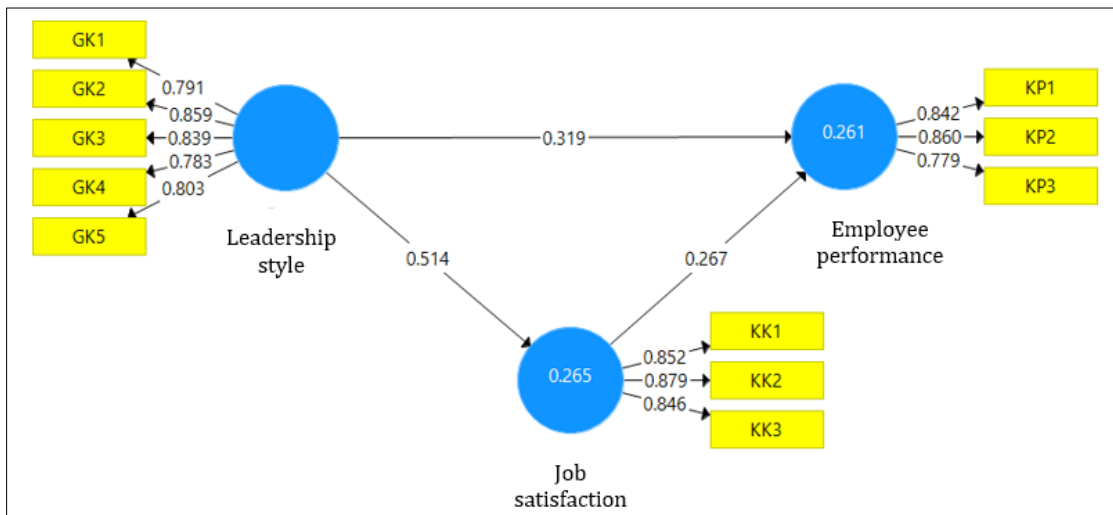


Figure 1 Research model

4. Research Discussion

The results of this study indicate that transformational leadership style has a positive and significant effect on employee performance with a path coefficient value of 0.319 ($p < 0.05$). This finding is consistent with previous research conducted by Al-Omari and Hung (2020) and Avolio and Bass (2019), which confirmed that leaders who are able to provide inspiration, vision, and support to employees can increase their work motivation and performance. Transformational

leadership style creates a conducive work environment through a clear vision, emotional encouragement, and individualized attention to each employee (Bass & Riggio, 2021). Leaders with a transformational style typically use an inspirational approach to direct employees towards the larger goals of the organization. According to transformational leadership theory, dimensions such as idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration are key elements that drive performance improvement (Judge & Piccolo, 2019). Therefore, the application of this leadership style is essential to improve organizational effectiveness.

The results also show that job satisfaction has a positive and significant effect on employee performance, with a coefficient value of 0.267 ($p < 0.05$). This shows that job satisfaction plays an important role in motivating employees to achieve optimal performance. This finding is in line with a study conducted by Breevaart and Bakker (2018) which shows that job satisfaction contributes to increased employee engagement, which in turn has an impact on work performance. Job satisfaction refers to the extent to which individuals feel satisfied with their overall job, including factors such as the work environment, relationships with coworkers, rewards received, and career development opportunities (Spector, 2021). Based on Self-Determination Theory (Deci, Olafsen, & Ryan, 2018), individuals who feel their psychological needs are met, such as the need for competence, autonomy, and connectedness, will have higher levels of job satisfaction. High job satisfaction allows employees to be more motivated and focused on achieving organizational goals.

One of the important findings of this study is that job satisfaction mediates the relationship between transformational leadership style and employee performance. This mediation effect is partial, with an indirect effect value of 0.138 ($p < 0.05$). This shows that in addition to directly affecting performance, transformational leadership style also improves employee performance through increased job satisfaction. This mediating role supports the view that transformational leadership style focuses not only on achieving direct results, but also on individual development and psychological well-being of employees (Luthans & Avolio, 2018). For example, leaders who provide individualized attention to employees can help them feel more valued and understood, thereby increasing job satisfaction. This satisfaction, in turn, serves as an intrinsic motivation driver that encourages employees to perform better (Ryan & Deci, 2020).

The findings of this study have several practical implications for organizations. First, it is important for organizations to promote transformational leadership style among managers and leaders. Leadership training and development can focus on developing skills such as inspiring communication, providing constructive feedback, and individualized attention to employees. Second, organizations need to create a work environment that supports job satisfaction. This can be done through various initiatives, such as improving work facilities, providing fair rewards, and providing career development opportunities. By creating an environment that facilitates job satisfaction, organizations can improve employee motivation and overall performance. While this study provides valuable insights, there are some limitations that need to be noted. First, this study used a cross-sectional approach, so it cannot identify causal relationships directly. Longitudinal studies can be conducted in the future to understand the dynamics of the relationship between these variables over time. Secondly, this study is limited to one particular type of organization or industry, which may limit the generalizability of the findings. Further research can be conducted on different types of organizations or across different cultural contexts to extend the external validity of these findings.

For future research, there are several agendas that can be proposed based on these findings. First, research could explore other variables that might influence the relationship between transformational leadership style, job satisfaction, and employee performance, such as organizational culture or individual employee characteristics. Second, future research could consider mixed-methods to gain a deeper understanding of the mechanisms behind the relationships found in this study. Qualitative approaches, such as in-depth interviews or case studies, can provide additional insights into the subjective experiences of employees and leaders. The results of this study confirm the importance of transformational leadership style in improving employee performance, both directly and through increased job satisfaction. Transformational leadership creates a positive work environment, which supports employee well-being and motivation. Therefore, organizations that want to improve employee performance need to prioritize the development of this leadership style and create working conditions that support job satisfaction.

5. Conclusion

Purpose: This study aims to analyze the effect of transformational leadership style on employee performance by considering the role of job satisfaction as a mediating variable. The results showed that transformational leadership style has a significant effect on employee performance. In addition, job satisfaction is also proven to have a significant direct effect on employee performance and mediate the relationship between transformational leadership style and employee performance. These findings support theories of leadership and work motivation, and emphasize the importance of the leader's role in creating a supportive and empowering work environment.

Based on the results of the study, it is recommended that organizations focus more on developing transformational leadership styles through structured leadership training programs. Leaders need to be equipped with skills to inspire, motivate, and provide individualized attention to employees. In addition, organizations need to increase employee job satisfaction by providing adequate work facilities, fair rewards, and career development opportunities. By strengthening aspects of leadership and job satisfaction, organizations can optimize employee performance and achieve their strategic goals more effectively.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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