

# **Influence of Transformational and Transactional Leadership Towards Employee Performance (Study at PT Ekistindo, Makassar)**

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***Abstract:** The purpose of this study was to analyze (1) the significances of the transformational leadership and transactional leadership to employee's performance, and (2) the dominant variable affecting employee's performance. From the sample that consisted of 102 respondent, the analysis used multiple linear regression to determine a model which best predicts the performance of these firms. Result of this research shown that transformational and transactional leadership variables have significant effect on the employee's performance, and that transformational leadership is the most dominant variable affecting employee's performance.*

***Keywords:** transactional leadership, transformational leadership, performance*

Many Indonesians has still remember when Adam Air fell out of the sky and crashed a few years ago in the Provinces of Sulawesi Barat. The heartbreaking event creates real incision and circumstantial hurt in the heart of Indonesian people. Particularly in the aftermath of the incident, we did not find any safe passenger of the unlucky plane and only finds the plane carcass. Event of this magnitude have real valuable experience and is an example of leadership in an organization because important decisions made by an organization's leader will affect the way company operate which will lead to the success or failure of an organization. As consequences, a successful leader must have optimism, instead of fairness and emotional support (Read, 1974, pp.77) as stated in Hughes, et al. (2002). Furthermore, to uphold one's position as a leader in an organization, hence Hasibuan (1999) arises several duties that must be carried by a leader from organization point of view. In term with this, then leader shall have ability or intelligence to influence, push, motivates, control and

observes its employee in order to reach the purpose of their organization together.

In anticipation to the complexity of leader's duties, leader should also comprehend leadership definition. Some definitions about leadership based on previous research are summarized in Hughes, et al (2002) as follow:

- The creative and directive force of morale (Munson, 1921);
- The process by which an agent induces a subordinate to behave in a desired manner (Bennis, 19, 1959);
- The presence of a particular influence relationship between two or more persons (Hollander and Julian, 1969);
- Directing and coordinating, the work of group members (Fiedler, 1967);
- An interpersonal relation in which others comply because they want to, not because they have to (Merton, 1969; Hogan, Curphy and Hogan, 1994);
- Transforming follwers, creating visions of the goals that may be attained, and articulating for the follwers they ways to attain those goals (Bass, 1985; Tichy and Devanna, 1986);

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- The process of influencing an organized group toward accomplish its goals (Roach and Behling, 1984);
- Actions that focus resources to create desirable opportunities (Campbell, 1991);
- The leader's job is to create conditions for the team to be effective (Ginnett, 1996).

There is a basic difference between leader and its followers. When leader is telling 'Go', hence follower tells 'Let's go'. This is in line with the opinion from John F. Kennedy that states, "Leadership and Learning are indispensable to each other". Thus, a leader faces various different situations that need to be analyzed differently. This will lead to growing the ability of the leader to overcome various arising problem. Hence, leaders shall have capable ability and experience while being supported by formal education.

Type or leadership style from a leader intrinsically differs with the other. Intention of the leader intrinsically is to push enthusiasm in job activity, satisfaction and work productivity, so that purpose of organization could be reachable. This is supported by Hasibuan (1999) which summarized style or distinguishable leadership style to three categories, that is autocratic leadership style, participatory leadership style, and finally delegate leadership style.

Furthermore, Bass (1995) introduces a notion of transactional style leadership. Within this type of leadership, leader introduces what is actually being pursued by company to its employee. He/she also introducing what being wanted by its subordinate in his/her work. Finally, what is being pursued when the work of the employee according to the agreed transaction is fulfilled. It is worth mentioned that transactional leadership style will induce contingent reward, active management by exception, and passive management by exception. Further comment on transformational leadership type by Bass (1995) is that this type of leadership style is an important factor that can influence position, perception, and behavior of employee which will then triggering or leads to organizational improvement. Transformational leadership concept will create value transformation process, motivation, job satisfaction to its employee and finally can reduce conflict happened in an organization.

In an organization, employee performance then is the primary factor that determines the success of an organization. Simamora (2002) state that the influencing employee performance is: (1) Individual factor, that is consisted of ability and expertise, background and demography; (2) Psychology factor, that is covering perception, position, personality, study and motivation; (3) Organization factor, that is appreciation given to employee that can be in the form of compensation, fee, bonus, fringe benefits, or salary.

In order to measure an employee's working performance, hence appraisal to work performance should follow. Therefore, Martoyo (1998) has a notion that appraisal of employee performance is a process to evaluate or assess employee performance. To reach these objectives, we need to conduct several steps, which must be specified beforehand, that is: (1) concise breakdown of duty and clear assertive responsibility; (2) goal setting; and finally (3) measurement of success.

Gibson, et al (1996) also having argument that to facilitate appraisal to the employee performance, hence various methods or way to measure it must be develop. Criterion size applied could be by the way of ranking scale, chart scale, weight checklist and descriptive description.

The ability to implement activity within an organization, hence of course need to be supported by its human resource. Therefore, Prawirosentono in Edi (2010) arises factors which can influence employee performance, that is: (1) efficiency and effectiveness; (2) authorities and responsibility; (3) discipline; and (4) initiative. Umar (2008) also having argument that there are some aspect influencing employee performance, that is quality of work, employee sincerity, initiative, presence, position, cooperation, reliability, knowledge about work, responsibility and time work usage.

From various descriptions that have been mentioned above, hence the writer has an interest to have a deep insight analysis about the role of leader in an organization in this paper entitled: Influence of Transformational and Transactional Leadership towards Employee Performance (Study at PT. Ekistindo in Makassar).



## METHODOLOGY

### Population and Sample

Population of this research are all employees at PT Ekistindo that numbered around 102. Drawing of research sample is done by the way of saturate sample that is a sampling methodology by the way of all members of populations at this research becomes research sample. Reason from choosing this methodology is because the number of sample is quite small, that is around 102 employees. Therefore, number of samples at this research is 102 (Sugiyono, 2007).

### Data Collection Technique

The data collection is done with these approaches:

- Questionnaire, which is a questionnaire compiled in structure built as according to research variable submitted and hereinafter the questionnaire propagated to respondent or becoming research object.
- Interview, which is done to obtain clearer picture, complete and accurate about research object, especially about research variable tested. Interview is conducted by way of in-depth exploratory interview.
- Documentation, which is a data collecting technique by the way of collecting secondary data and in relation with the object of this research. For this purpose, we study company document, statistical, library documentation with reference to research literatures.

### Analytical method

To complement research, hence we required analytical method with the aim to measure or quantify research results. This research applies Multiple Regression Analysis. Intention of this analytical method is to see how strong the independent variable influencing its dependent variable either partially, or simultaneously. For this purpose, we follow Sugiono (2007) formulation of multiple linear regressions as following:

$$Y = b_0 + b_1X_1 + b_2X_2 + e_i \dots\dots\dots(1)$$

Where:

- Y : Employee Performance
- $X_1$  : Transformational Leadership
- $X_2$  : Transactional Leadership
- $b_0$  : constant
- $b_1$  and  $b_2$  : regression coefficient  $X_1$  and  $X_2$
- $e_i$  : standard errors

### Definition of Operational Variable

Intention of the formulation of operational variable is to gain equal perception prior to the actual research. Therefore, term for some variables that will be included in the research will hereafter be given specific definition, that is:

- Transformational leadership is the ability owned by a leader to change its work environment, job motivation, and job pattern and to grow job values that will be perceived by employee so that they are able to achieve better performance.
- Transactional leadership is the leadership style that tries to cope more with the achievement of transaction process between leaders and its subordinate via the unity of appreciations and performance that have been achieved by the employee.
- Employee Performance is the result of job activity which has been performed by company employee, either that seen from its quantity or quality of job achieved by the employee.

### Research Concept Outline

This research outline is conceptualized by using three main variables, which is transformational leadership, transactional leadership, and employee performance. In order to measure these three variables, hence we applied dimension (indicators) to be able to measure the variable in a more accurate way. First, the transformational leadership is measured by analyzing the contingent reward, active management and passive management. Transactional leadership is analyzed by measuring attributed charisma, idealized influence, inspirational motivation, and intellectual situation. And finally to measure employee performance, we analyzed by the way of measuring quality of job by considering time, ability of the same job, accuracy of the job result as well as from the result of job report. Therefore, the research concept outline is as follows:

## RESULT

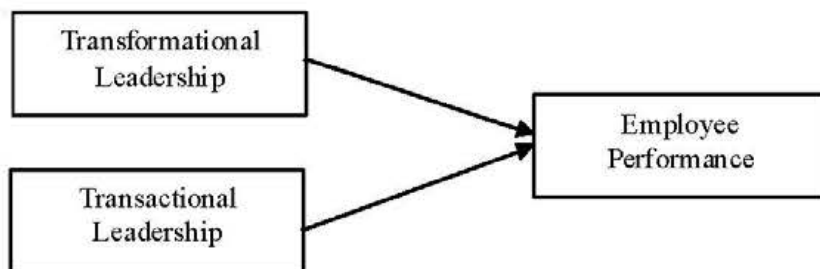
Based on statistic test result which has been done at this research, that is tested by using the multiple linear regression analysis with SPSS, we could have a picture that depict the relation between transformational leadership and transactional leadership (independent variable) and employee performance variable (dependent variable) as follows in Table 1.

Result from the multiple regression analysis in the unstandardized regression equation expressed in Table 1 was employed to evaluate the impact of all independent variables, that is Transformational Leadership ( $X_1$ ) and Transactional Leadership ( $X_2$ ) on Employee Performance ( $Y$ ) at PT Eksistindo, Makassar. Two independent variables were found to have regression coefficients passing the level of significance 0.05 or smaller thus show that they are significantly influence employee performance. This could be demonstrated by comparing the value of  $F_{test} = 3.331$  with  $F_{table} = 3.09$  at the level of significance equal to 5%. When  $F_{test}$  is bigger than the value of  $F_{table}$ , hence  $F_{test}$  can be state to be at the  $H_0$  rejection region. On the contrary, when  $F_{test}$  is smaller than  $F_{table}$ , hence we accept  $H_0$ . It is conclude that from the result of this research that we refused  $H_0$  and

accept  $H_1$ . This mean that all the independent variable influence the dependent variable.

Next, we use value of  $t$  to calculate the acceptances of each independent variable. This is could be stated as (1) "Is the transformational leadership influence employee performance?" and (2) "Is the transactional leadership influence employee performance?" To determine the level of significance, we use the degree of freedom ( $df$ ), and hence is to compare the value of  $t_{test}$  with  $t_{table}$ . When  $t_{test}$  is bigger than the value of  $t_{table}$ , hence  $t_{test}$  can be state to be at the  $H_0$  rejection region. On the contrary, when  $t_{test}$  is smaller than  $t_{table}$ , hence we accept  $H_0$ . We found that the  $t_{test} = 2.736$  for the transformational leadership variable at the level of significance of 3% (which is smaller than  $\alpha = 0.05$ ). Whereas the  $t_{test} = 2.592$  for the transactional leadership is bigger than the value of  $t_{table}$  at the level of significance of 1% (which is smaller than  $\alpha = 0.05$ ). Hence, from this reference, we could conclude inferentially that we refused  $H_0$  and accept  $H_1$ . This means that each of the independent variable influence the dependent variable.

From table 1, the value of the coefficient of determination ( $R^2$ ) gives contribution of 0.775. This give description that the variances of the independent



Picture 1. Research Concept Framework (Idayanti, 2009)

Table 1. Result of the Multiple Linear Regression Analysis

Variable	Regression coefficient	$t_{test}$	Probability	$r^2$ partial
Transformational leadership ( $X_1$ )	0.234	2.736	0.003	0.587
Transactional leadership ( $X_2$ )	0.203	2.592	0.001	0.141
Constant	0.292	$F_{test}$ : 3.331		
R Square ( $R^2$ )	0.775	Prob. : 0.003		
Multiple R ( $R$ )	0.862	$n$ : 102		
$e_i$	0.553			

(Source: SPSS (2010))



variable which transformational and transactional leadership could explain and influence the variances of dependent variable (employee performance) is 77.5% Hence 22.5% of the variances is residing in other variable outside the research model.

Regression coefficient shows relation between each independent variable to its dependent variable. In this case, the independent variable is transformational leadership ( $X_1$ ) and transactional leadership ( $X_2$ ) relation to employee performance ( $Y$ ). Formulation of the multiple linear regressions is as follows:

$$Y = 2.920 + 0.234 X_1 + 0.203 X_2 + 0.553$$

By referring to result of regressions equation model, which has been compiled above, hence further analysis, could be done as follows:

- Regression coefficient from the transformational leadership variable ( $X_1$ ) has positive, that is 0.234. This means that if the variable increases, hence it will contribute to the value of employee performance. Level of regression coefficient value of 0.234 also means that every increase of one unit from transformational leadership variable will result in the increase of employee performance by 0.234 units with the assumption that other variable is constant.
- Transactional leadership ( $X_2$ ) has positive value that is 0.203. This thing means that if the value of transactional leadership variable increases, hence will add contribution to the employee performance. Level of regression coefficient value of 0.203 means that every increase of one unit from transactional leadership variable hence will result in an increase of employee performance by 0.203 units with assumption that other variable is constant.
- As for the value from other variable formed outside this research model, that is  $c_i = 0.553$ . This confirms the existence of other leadership style variables such as participative leadership style, authority leadership, paternalistic leadership, moderating leadership and others. In addition, we could include other variable that could influence employee performance apart from the leadership style of its leader such as job motivation, job commitment, discipline, job satisfaction, job loyalty, compensation, job climate, competence and work environment.

## DISCUSSION

### Influence of Transformational Leadership to Employee Performance

Having taken steps to analyze the research result, hence step hereinafter is to do interpretation analysis to the result of the research. Therefore interpretation from result of this research gives evidence that transformational leadership has positive influence and significant to employee performance. This can be referred from the value of  $t_{table}$  that is larger than  $t_{table}$ , that is  $2.736 > 1.980$  with significant value of 0.003 which is smaller than  $\alpha = 0.05$  ( $0.003 < 0.05$ ).

Result of this research gives a descriptive explanation that with the existence of transformational leadership, hence will increase employee performance. Therefore, role of leader is an important key factor to form organizational success. Moreover, as the value of transformational leadership variable becomes increasing positively, hence it will also give increasing positive contribution to employee performance at PT Ekistindo.

This is in line with the theory introduced by Bass (1995) and Koh, et al. (1995) that arises argument of theory as follows: (1) push employee to comprehend important meaning from a business; (2) important role from a group; and (3) comprehension about the importance of self-actualization and self-regard.

### Influence of Transactional Leadership to Employee Performance

With regard to the influence of transactional leadership to employee performance, interpretation from result of this research gives evidence that transactional leadership has positive significance influence to employee performance. This can be referred from the value of  $t_{table}$  that is larger than  $t_{table}$ , that is  $2.592 > 1.980$  with significant value of 0.001 which is smaller than  $\alpha = 0.05$  ( $0.001 < 0.05$ ).

Reference from this research indicates that transactional leadership gives positive contribution to the improvement of employee performance. Therefore, more positive the number of value from transactional leadership variable, hence will give positive increasing contribution to improvement of employee performance. Moreover, it could be said that with



the transactional leadership style, hence every employee will be able to give his/her best contribution to the attainment of organizational performance at PT Ekistindo.

This result support Koh, et al. (1995) statement that transactional leadership style focused the attention to interpersonal transaction between leaders and his/her subordinate which would directly gives contribution to employee performance.

## CONCLUSION AND SUGGESTION

### Conclusion

Result of this research describe that transformational leadership type and transactional leadership type gives positive influence and significant to employee performance at PT. Ekistindo in Makassar.

Transformational leadership is a type of leadership that giving dominant contribution to improvement of employee performance at PT Ekistindo in Makassar.

### Suggestion

With the rising importance of transformational leadership type and transactional leadership type in an organization, hence it is hoped that employee's comprehension can grow on the important meaning of having a leader with clear vision and has good value to reach organizational purpose. Transformational leadership will be able to support transformation of value, spirit, motivation, and good energy for the success of organization led by his/her. Also at the same time with transactional leadership type, leader will be inspired on the importance of recommending the result of employee's job so that its match the compensation given to the employee.

Transformational leadership gives dominant value to the success of employee performance, hence the recommendation is to create good relationship between leader and its subordinates that later can create transformation of value, inspiration, spirit, motivation, and job ethos from leader of to his/her subordinate.

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