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LETTER

Leadership Style and its Impact on Employee Performance at Indonesian National Electricity Company

Mahendra Fakhri¹, Mahir Pradana^{1*}, Syarifuddin Syarifuddin¹ and Yozi Suhendra¹

¹Telkom University, School of Communication and Business, Jalan Terusan Buah Batu, Bandung, Indonesia

Abstract:

This research was conducted to determine the effect of transformational and transactional leadership styles on employee performance at the Indonesian National Electricity Company (PT PLN) main office. This research uses a quantitative method with a descriptive-causality research type. Sampling was done by a non-probability sampling method of saturated sample type, with the number of respondents being 73 people. The data analysis techniques used are descriptive analysis and multiple linear regression analysis. Our result shows that the transformational leadership style is influential and significant to performance, while the style of transactional leadership has no effect and no significance to the performance of employees.

Keywords: Transformational leadership style, Transactional leadership style, Employee performance, Human capital, Employees, Quantitative method.

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1. INTRODUCTION

Leadership is vital to determine the direction by developing a foresight, since the employees need someone who inspires them to overcome challenges [1]. Successful organizations have a common characteristic that distinguishes it from unsuccessful organizations [2]. A good leader is expected to communicate a vision that is won and inspired to overcome all obstacles [3].

One of the challenges, which is often discussed by a company or organization, is encouraging employees [4]. It is a necessity for someone to have a motivation for the good direction of the organization [5]. Without the motivation to work of individuals, teamwork will not show a satisfying result [6]. That motivation itself contains an understanding of the results of individual interactions with everyone who has a basic motivation and a high level of motivation different at different times [5, 7].

We would like to focus our research in an office focusing on energy, especially electricity. We acknowledge that the need for electrical energy has become the basic needs of society, hence Indonesian State-Owned Electricity Company needs competent human capitals in doing the tasks. Based on data obtained from the Statistics of Electricity in 2017 issued by the

Indonesian Ministry of Energy and Mineral Resources (ESDM), the number of households that have enjoyed electricity in 2019 reached 60.61 million, increased by 2,69% compared to the year 2015 of 57,98 million homes. However, the number is still below the number of households in Indonesia in 2019 of 66.48 million homes. This electricity company performs the task of handling the quality control system, reverse engineering, electrical equipment manufacturing, and emergency repair handling to ensure the availability of power supply, development of innovation work. To be able to run these programs, PT PLN Electricity Maintenance Center requires human resources who have the qualified skills so that human resources in PT PLN Electricity Maintenance Center must be managed effectively in order to get employees who have qualified employees and have high competitiveness.

According to a study [8], performance is the result of work achieved by a person based on job requirements. Meanwhile, according to another study [9], it is explained that performance is the work that can be achieved by a person or group of people in an organization based on their respective responsibility and authority to achieve organizational goals with no violation of the law and in accordance with moral and ethics. The performance of PT PLN Electricity Maintenance Center employees can be seen from 3 components, namely employee delay data, organizational performance value and value of employee talent value. Based on employee delay data, the rate

* Address correspondence to this author at the Telkom University, School of Communication and Business, Jalan Terusan Buah Batu, Bandung, Indonesia; E-mail: mahirpradana@telkomuniversity.ac.id

of employee late shows in the first and second semester of 2016 were 8,12% and 4,94%, respectively. The phenomenon is shown in Table 1:

Table 1. Organizational performance grade.

Grading Period	Organizational Performance Grade	Target
Term I 2015	91.30%	100%
Term II 2016	97.96%	100%

Source: HR Of PT PLN Electricity Maintenance Center Main Office

Based on Organization Performance Values of PT PLN Electricity Maintenance Center main office, it can be seen that the performance of the organization did not reach the target set by the company, which is 100%. The main office of PT PLN Electricity Maintenance Center is only able to reach the company's target of 91.30% in the first semester of 2015 and 97.96% in the second semester of 2016. Based on employee talent value, there is a decrease of employees with optimal talent from 45.45% in the first semester 2016 to 37.66% in the second half of 2016.

In this research, we focused more on transformational and transactional leadership styles. The transformational leadership style has been discussed in various literature, such as, according to a previous report [1, 10, 11], it is defined as a process by which leaders try to increase employees' awareness of what is right and important and can motivate followers to show greater expectations. While the transactional leadership according to a study [12] is a leadership model in which a leader tends to provide direction to subordinates, as well as rewards and punishments for their performance and focuses on behavior to guide their followers towards defined goals by clarifying the role and task demands.

Based on pre-research and preliminary observations on transformational leadership styles conducted, the implementation of the transformational leadership style by the leadership in PT PLN Electricity Maintenance Center 's main office has not been implemented according to expectation. This is shown by the results of pre-research that shows that the leader in the office of PT PLN Electricity Maintenance Center does not entirely get the respect of employees. Based on pre-research and preliminary observations on the transactional leadership style conducted by researchers, the implementation of a transactional leadership style by the head of PT PLN Electricity Maintenance Center main office has not been implemented well. It is shown by the results of the pre-research survey, that the leaders in the main office of PT PLN Electricity Maintenance Center give rewards to employees if they have completed the work according to the specified target.

Based on the above background, the researcher intends to identify how are the relationships between transformational leadership style, transactional leadership style and employee performance? Thus, it will lead to the further research question on how are the partial and simultaneous effects of transformational and transactional leadership style on employee performance at the Main Office of PT PLN Electricity Maintenance Center?

2. LITERATURE REVIEW

There are several definitions of leadership from some experts, one of them is according to a previous report [12], which is leadership that describes the relationship between the leader and the led (followers/subordinates). According to a study [13], the leader influences something he leads, but the relationship between the two sides must be mutually related and beneficial to both parties. While the style of leadership according to another report [14] is the Style of Leadership being the norm of behavior used by a person when the person is trying to influence the behavior of others as he sees.

The Transformational Leadership Style theory [15] states that "Transformational leadership motivates followers to do more than expected by increasing the level of followers' understanding of the usefulness and value of detailed and ideal goals, making followers defeat their own interests by team or organization, mobilizing followers to meet higher level needs. Transformational leadership provides a vision of mission and awareness of the industry or organization that produces high-level skills and expertise [16].

According to literature [15] and [1], dimensions of the transformational leadership style are ideal influence, inspirational motivation, intellectual stimulation and adapted considerations. Transformational leadership is different from transactional leadership. Transformational leadership is leadership that goes beyond just exchange or reward for performance displayed by followers but based more on trust and commitment [3]. Transformational leaders pay attention to the development needs of each of the followers and the problems by helping them view old problems in new ways, and they are able to excite, awaken, and inspire followers to make extra efforts to achieve group goals [4].

With the implementation of transformational leadership, subordinates will feel trusted, valued and subordinates will appreciate their leaders more [3]. Thus, transformational leadership is the ability of a leader to work with and or through other people to optimally transform organizational resources in order to achieve meaningful goals in accordance with predetermined achievement targets [5]. The characteristics of transformational leadership are charisma, inspirational, individual attention, and intellectual stimulus [3].

The transactional leadership style is also described [17] as a leadership style that gets the motivation of his subordinates by calling for their own interests. Leadership behavior focuses on the outcome of the tasks and relationships of the good workers in exchange for the desired rewards. On the other hand, dimensions of transactional leadership style [15] are conditional rewards and management with exceptions, which consists of two indicators: management with active exception and management with passive exception.

Transactional leadership can involve values, but those values are relevant to the exchange process, such as honesty, responsibility, and reciprocity. Transactional leaders help the followers identify what needs to be done, in that identification, the leader must consider the concept of self-esteem from the subordinate [10]. Thus, transactional leadership is leadership where a leader encourages his subordinates to work by

providing resources and rewards in return for effective motivation, productivity and achievement of tasks. The characteristics of transactional leadership consist of three aspects, namely, contingent reward, exception management, and laissez-faire [16, 17].

The preferred leadership style will lead to satisfying performance, which describes [8]: “Performance is the result of work and work behavior that has been achieved in the completion of tasks and responsibilities given in a certain period”. A report [18] argues that the aspects of performance appraisal consist of 5 elements, namely the quantity of results, quality of results, speed of results, presence, and teamwork ability.

3. RESEARCH METHODOLOGY

This research uses descriptive research type and causality. Based on the background, this study was conducted to see whether there is a relationship between transformational and

transactional leadership styles on employee performance at PT PLN Electricity Maintenance Center main office. The transformational leadership style consists of ideal dimensions of influence, inspiring motivation, intellectual stimulation, and consideration that is adapted [3, 4]. Transactional leadership consists of conditional reward and management dimensions with the exception [15]. Employee performance consists of the quantity of the results, the quality of the results, the timeliness of the results, the presence and ability to work together [8] [11]. Based on the above explanation, it can be described that the research framework is (Fig. 1).

We used the measurement scales [3] to measure transformational leadership; the scales used in previous works [10] and [15] to measure transactional leadership; and [11] to measure performance. In total, there are questions in the questionnaire which are graded using a Likert scale [1 - 5]. Before proceeding with regression analysis, we checked the validity of the items by conducting confirmatory factor analysis. The result is shown in Table 2:

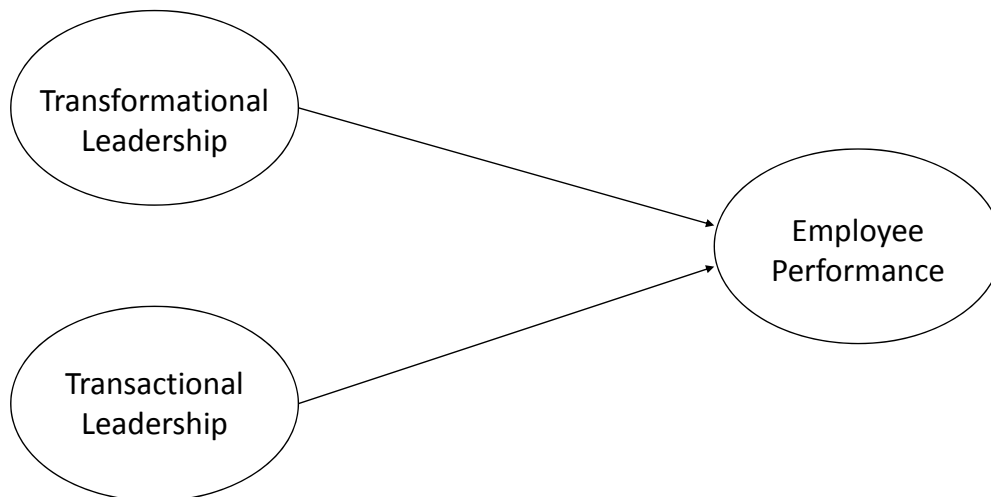


Fig. (1). Research Framework.

Table 2. Confirmatory factor analysis.

	Transformational Leadership	Transactional Leadership	Performance
X1	0.786	-	-
X2	0.861	-	-
X3	0.827	-	-
X4	0.878	-	-
X5	0.861	-	-
X6	0.745	-	-
Y1	-	0.733	-
Y2	-	0.735	-
Y3	-	0.742	-
Y4	-	0.760	-
Y5	-	0.843	-
Y6	-	0.797	-

(Table 2) contd.....

	Transformational Leadership	Transactional Leadership	Performance
Z1	-	-	0.745
Z2	-	-	0.789
Z3	-	-	0.849
Z4	-	-	0.848
Z5	-	-	0.834
Z6	-	-	0.713

Source: Authors' Analysis using SmartPLS

Based on the result of confirmatory factor analysis, all items have factor loadings above 0.6, which indicate valid measurements [11]. The Standardized Root Mean-Square Residual (SRMR) also shows an acceptable value, which is the value of 0.085. Therefore, we can proceed with the structural equation model.

4. RESULTS AND DISCUSSION

The result of the descriptive analysis of the transformational leadership style (X₁) is in the good category with a percentage of 78.10%. The result of the descriptive analysis of the transactional leadership style (X₂) is in the good category with a score of 81.64%. While the performance of employees based on descriptive analysis results is in the good category with a value of 80.12%.

The questionnaire was filled by 73 respondents who work in the company (the office of PT PLN Electricity Maintenance Center). Fifteen female employees (20.5%) and 58 male employees (79.5%) took part in the survey.

4.1. Structural Equation Result

Next, we review the structural equation model. The result is analysed based on the criteria below:

1. If the value of the path is positive with significance value is less than 0.05, then H is rejected and H_a is accepted, it can be concluded that there is a significant influence of independent variables on the dependent variable.
2. If the value of the path is negative with significance value more than 0.05, then H is accepted and H_a is rejected, it can be concluded that there is no influence of independent variables on the dependent variable.

Afterwards, we analysed the relationships of transformational leadership and transactional leadership style on employees' performance. We analysed the path result from SmartPLS software, which can be seen in the following Table 3:

Table 3. Structural equation model result.

	Performance	p-value	Decision
Transformational Leadership	0.327	0.000	Accepted hypothesis
Transactional Leadership	0.653	0.000	Accepted hypothesis

Source: Data processing results from SmartPLS

4.2. Hypotheses Check

The hypotheses in this research are:

1. The influence of the transformational leadership style on employee performance.

H: b₁ = 0, transformational leadership style (X₁) has no significant effect on employee performance □ H_a: b₁ ≠ 0, transformational leadership style (X₁) has a significant effect on employee performance

2. The influence of the transactional leadership style on employee performance.

H: b₂ = 0, transactional leadership style (X₂) has no significant effect on employee performance (Y) □ H_a: b₂ ≠ 0, transactional leadership style (X₂) has a significant effect on employee performance (Y)

The value of the transformational leadership style's effect on performance is 0.327. It also obtained a significance value of around 0.000, which means the significance value < 0.05. Therefore, H is rejected and H_a is accepted. It can be concluded that the transformational leadership style has a significant and positive effect on employee performance. The same result can be seen from the value of the transactional leadership style's effect on performance, which is 0.653 with a significance value of around 0.000 (significance value < 0,05), H is rejected and H_a is accepted. Therefore, the transactional leadership style has a significant and positive effect on employee performance.

CONCLUSION

Leaders are often regarded as an agent of change, since they play an important role in directing subordinates in decision making, care and pay attention to subordinates, and create a comfortable work environment. This all leads to approval or obedience to the leadership and regulations, because employees feel satisfied and cared for. Leaders who are accepted as partners will have the confidence of their subordinates, and have a sense of ownership of the duties and responsibilities of work in the organization.

Afterwards, supported by a supportive work atmosphere and kinship, it naturally creates a comfortable working atmosphere, mutual respect, and mutual trust between leaders and subordinates. A comfortable work environment can make employees or subordinates not feel burdened with their duties or work. Therefore, both transformational and transactional leadership styles might have positive and significant contributions. In the case of our research, they were proven to be significant in improving the team's performance.

Based on the research results above, we notice an

important point taken from this study. Both styles have a positive and significant effect on employees' performance, meaning managers can practice these two different styles to improve performance. However, they need to be applied depending on each delegated task in accordance with the agreements that have been submitted previously.

Both transactional and transformational leadership styles are dynamic, active and effective leadership styles that can influence employee motivation in improving performance. In addition, there are also determinants other than leadership styles that are not discussed in this study, which also helps influence the employees. Therefore, we acknowledge the limitation of our research was the scope, which was only limited to a single workplace. Future studies comparing these two styles of leadership in different types of the workplace will be a useful contribution.

ETHICS APPROVAL AND CONSENT TO PARTICIPATE

This study was approved by ethics committee of Telkom University, Bandung, Indonesia under approval number 001/04/2020.

HUMAN AND ANIMAL RIGHTS

No human and animals were used that are the basis of this study.

CONSENT FOR PUBLICATION

Not applicable.

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CONFLICT OF INTEREST

The author declares no conflict of interest, financial, or otherwise.

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