



THE EFFECT OF TRANSFORMATIONAL LEADERSHIP ON EMPLOYEE PERFORMANCE THROUGH EMPLOYEE ENGAGEMENT

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ARTICLE INFO	ABSTRACT
<p>Keywords :</p> <p><i>Transformational leadership, Employee performance, Employee engagement, Explanatory quantitative approach</i></p> <p>Kata kunci :</p> <p><i>Kepemimpinan transformasional, Kinerja karyawan, Keterlibatan karyawan, Pendekatan kuantitatif eksplanatori</i></p> <p>How to cite :</p> <p><i>Cahyani, Putri Esti., Siswanto., (2019). The Effect of Transformational Teadership on Employee Performance Through Employee Engagement. JMM UNRAM, 8(2), 203 - 211</i></p> <p>DOI : http://dx.doi.org/10.29303/jmm.v8i2.427</p> <p>Collected : 05 Juni 2019 Revised : 16 Juni 2019 Published : 19 Juni 2019</p>	<p>Leadership and employee engagement are essential factors in the effectiveness of employee performance in the company. Those two indicators cannot be separated from the sustainability of an organization or company. The purpose of this study is to analyze the direct and indirect effects of transformational leadership on employee performance and how much employee engagement mediates the effect of transformational leadership on employee performance. This research utilized an explanatory quantitative approach and used 101 respondents as the sample. The data was collected by using questionnaires and analyzed using the Partial Least Square (PLS) analysis tool. The results of the testing show that there is a significant influence between transformational leadership on the performance of employees of PT. Victory International Futures Malang. While the employee engagement variable mediates the influence of transformational leadership on the performance of employees of PT. Victory International Futures Malang.</p> <p><i>Kepemimpinan dan keterlibatan karyawan merupakan faktor penting dalam pencapaian efektivitas kinerja karyawan dalam organisasi. Kedua variabel tersebut tidak dapat dipisahkan dalam menopang keberlanjutan organisasi. Tujuan penelitian ini adalah untuk menganalisis pengaruh kepemimpinan transformasional terhadap kinerja karyawan secara langsung dan tidak langsung, serta bagaimana peran keterlibatan karyawan sebagai variabel mediasi dari pengaruh kepemimpinan transformasional terhadap kinerja karyawan. Penelitian ini menggunakan metode kuantitatif eksplanatori dengan sample penelitian terdiri atas 101 responden. Data dikumpulkan melalui kuesioner dan dianalisis dengan analisis Partial Least Square (PLS). Hasil analisis menunjukkan kepemimpinan transformasional</i></p>

	<p><i>berpengaruh signifikan terhadap kinerja karyawan di PT. Victory International Futures Malang. Sedangkan, variabel keterlibatan karyawan memiliki peran mediasi dari pengaruh kepemimpinan transformasional terhadap kinerja karyawan di PT. Victory International Futures Malang.</i></p>
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1. INTRODUCTION

Human resources are things that support the success of an organization or company. Empowerment of human resources within the company must be directed at the right leadership style so that the goals of the company or organization can be achieved well and shape the synergy between superiors and subordinates. Employee performance is an essential factor in supporting the success of the company. One of the most critical elements in the performance effort is a leader who can direct the organization to achieve the desired goals. According to Robbins (2001: 56), leadership is the ability to influence a group towards achieving a goal. The function of leadership is leading, demanding, guiding, building or motivating work, making communication networks and bringing followers to the goals to be addressed with the provisions of time and planning. Each leader will show leadership style through speech, attitude and behavior. Employee performance is an individual thing because everyone has different levels of performance. Leadership with employee performance is closely related because with a high performance each employee gives all the knowledge, skills, abilities, attitudes, behaviors that each employee has as well as awareness that the progress of the company will be quickly achieved.

Leadership is also closely related to employee engagement because an employee will work optimally if he has a high sense of belonging to the company. McBain (2007: 18) explains that there are three main clusters that drive employee engagement, namely organization, management and leadership, and working life. Every company needs the right leadership style to lead an organization to direct and foster a sense of engagement so that the organization can achieve its goals, by having high engagement, employees will be very involved and proud to work for their organization.

Leadership applied at PT. Malang Victory International Futures is family-friendly, meaning that leaders are able to provide motivation, direction and solutions in every problem faced by employees, this greatly affects the performance of employees because of the role of charismatic leaders. Leaders also provide intellectual stimulation in the form of morning briefing. Morning briefing is a routine activity at the beginning of each working hour followed by all employees in the company that discusses market strategies, targeted achievement, and trading material. Based on the phenomenon that occurred at PT. Victory International Futures Malang, leadership applied is transformational leadership. Transformational leadership inspires his followers to put aside their personal interests for the good of the organization and they are able to have a tremendous influence on their followers. PT. Victory International Futures Malang is an investment and intermediary company that focuses on foreign exchange, index futures, commodities, and CFDs.

Transformational leadership had crucial effect on employee performance. Lutfi and Siswanto (2018) revealed that implementation transformational leadership increases employee performance. Pambudi, et al (2016) showed that transformational leadership style has a significant effect on employee performance variables. The same result is showed

by the research conducted by Andriani and Petrik (2016) which stated that transformational leadership has a significant positive effect on employee performance. However, this research is on the contrary to the research conducted by Lomanjaya, et al (2014) which stated that transformational leadership style partially has no significant effect on performance employee. Seeing the inconsistency of the results of the above research, then Lomanjaya, et al (2014) suggested future researchers to replace other research variables that can affect employee performance. Based on these suggestions, the researcher used employee engagement variables as mediating variables to transformational leadership style to employee performance. Research that supports the influence of employee engagement on employee performance is done by Handoyo and Setiawan (2017) who stated that employee engagement results have a positive and significant effect on employee performance. Based on previous research and phenomena that occur at PT. Malang Victory International Futures, the researcher wants to analyze the effect of transformational leadership on employee performance mediated by employee engagement.

2. LITERATURE REVIEW

2.1. Transformational Leadership

Transformational leadership is a leadership that inspires followers to put aside their personal interests for the good of the organization and has a tremendous influence on followers. Transformational leaders pay attention to the self-development needs of their followers, change followers' awareness of existing issues by helping them look at the old problems in new ways, and able to please and inspire followers to work hard to achieve the addressed goals (Robbins, 2008: 90). Indicators of leadership style according to Robbins (2010: 263) are charisma, inspirational motivation, intellectual stimulation, and individual attention.

2.2. Employee Performance

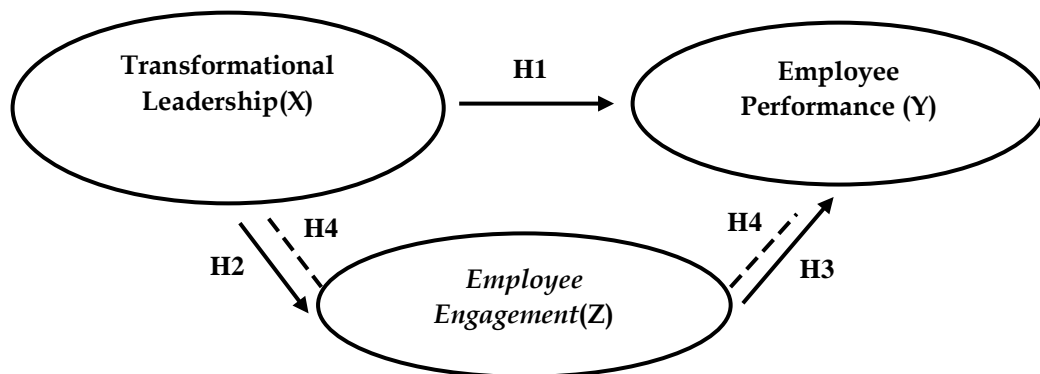
According to Mangkunegara (2005: 9) employee performance (work performance) is the quality and quantity result achieved by an employee in carrying out his duties in accordance with the responsibilities given to him. According to Gibson (Suhendi, 2010: 190), there are three factors that determine employee performance namely individual factors, psychological factors, and organizational factors. There are six indicators that measure employee performance according to Robbins (2006: 260) namely: quality, quantity, timeliness, effectiveness, independence, and work commitment.

2.3. Employee Engagement

Employee engagement is defined as a positive attitude adopted by employees towards the organization along with the value system in it (Robinson, et al, 2004: 4). Employees with high engagement will have a concern and understand the business context as well as working with colleagues to improve performance in his working team for the benefit of the company. According to Shaufeli, et al (2006: 10) the indicators of employee management consist of three, namely: vigor, dedication, absorption.

3. CONCEPTUAL FRAMEWORK

Figure 1
Conceptual Model



Hypothesis

H1: Transformational leadership has influence on employee performance.

H2: Transformational leadership has influence on employee engagement.

H3: Employee engagement has influence on employee performance.

H4: Employee engagement mediates the relationship between transformational leadership and employee performance.

4. RESEARCH METHOD

According to Supriyanto and Machfudz (2010: 287), this research is explanatory quantitative research which aims to test a theory or hypothesis in order to strengthen or even reject existing research theories or hypotheses. The samples were 101 respondents. The data was collected by questionnaires that have been determined by the researcher. The analytical tool used is an analysis of Partial Least Square (PLS) approach version 3 and a Sobel test. The test is used to ensure the significance of the influence of transformational leadership on employee performance mediated by employee engagement.

5. RESULTS AND DISCUSSION

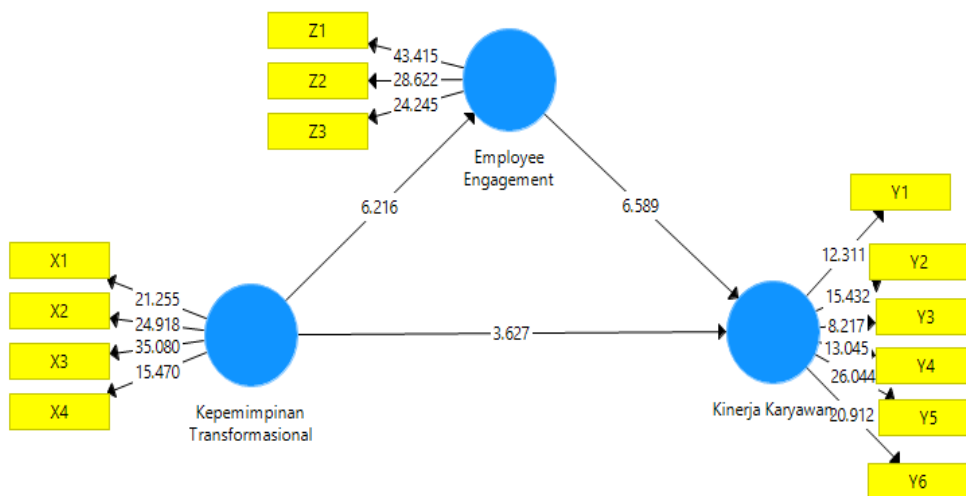
5.1. RESULT

5.1.1. Outer Model

5.1.1.1. Convergent Validity

Convergent validity is used to test the relationship between reflective items and their latent variables. An indicator is said to be valid if the value of the loading factor is greater than 0.5.

Figure 2
Outer Model



Based on the results of the study, each indicator is able to represent its variable and declared as valid. It can be seen from the results of the loading factor whose value is > 0.5.

Table 1
Direct and Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standart Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Employee engagement -> employee performance	0,558	0,558	0,085	6,589	0,000
Transformational leadership -> Employee engagement	0,552	0,566	0,089	6,216	0,000
Transformational leadership -> employee performance	0,320	0,324	0,088	3,627	0,000
Transformational leadership -> Employee engagement -> employee performance	0,308	0,309	0,061	5,011	0,000

Overall, the results of the tests in the table above show that the value of AVE for all variables is well designed because the value shows a number that is greater than the correlation between variables and other latent variables. From these results, the whole instrument is declared as valid.

5.1.1.2. Discriminant Validity

Based on discriminant validity testing using cross loading value, it shows that each indicator of all variables is greater than the value of cross loading from other latent variables. It means that the research instrument is valid because the value of all indicators is greater than 0.5.

5.1.1.3. Composite Reliability

Based on the composite reliability value, the value of transformational leadership, employee performance, and employee engagement is respectively 0.907, 0.883, and 0.906. While the Cronbach's alpha value for transformational leadership, employee performance, and employee engagement is respectively 0.863, 0.840, and 0.844.

Table 2
Composite Reliability Value and Cronbach's Alpha

Variable	Composite Reliability	Cronbach's Alpha	Reliability
Transformational leadership	0,907	0,863	<i>Reliable</i>
Employee performance	0,883	0,840	<i>Reliable</i>
<i>Employee engagement</i>	0,906	0,844	<i>Reliable</i>

The composite reliability value of the three variables above is greater than 0.7 and the Cronbach's alpha value of all variables used has good composite reliability.

5.1.2. Inner Model

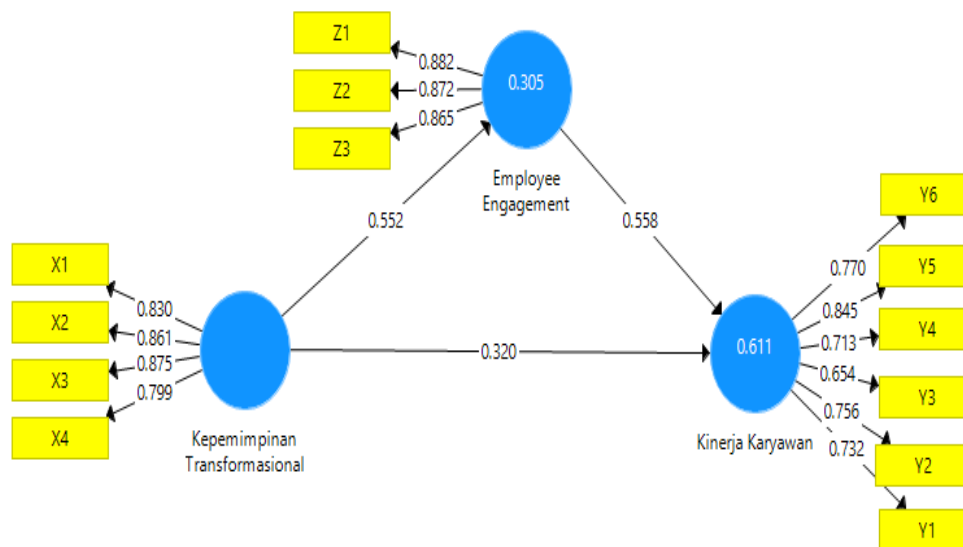
Based on the table above, it can be seen that the R-square of employee engagement variable is 0.305 or 30.5%. This indicates that employee engagement variable can also be explained by transformational leadership variable at 30.5% while 69.5% remaining is influenced by other variables not used in this study.

Table 3
The Test Result of Goodness of Fit

Variable	R-square
Employee engagement	0,305
Employee performance	0,611

The R-square value of employee performance variable is 0.611 or 61.1%. This indicates that employee performance variables can be explained by transformational leadership at 61.1% while 38.9% remaining is influenced by other variables not used in this study.

Figure 3
Inner Model



Hypothesis Testing

Table 4
Direct and Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standart Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Employee engagement ->Employee Performance	0,558	0,558	0,085	6,589	0,000
Transformational leadership -> Employee engagement	0,552	0,566	0,089	6,216	0,000
Transformational leadership ->Employee Performance	0,320	0,324	0,088	3,627	0,000
Transformational leadership -> Employee engagement ->Employee Performance	0,308	0,309	0,061	5,011	0,000

In PLS, testing of each hypothesized relationship is done by simulation and uses the bootstrapping method for the sample.

5.2. DISCUSSION

5.2.1. The Effect of Transformational Leadership on Employee Performance

Based on the results of hypothesis testing, the effect of transformational leadership on employee performance is shown by its coefficient value, p-values, t-statistics, and t-table respectively at 0.320, 0.000, 3.627, and 1.96. The p-value is less than 0.05 and the t-statistical value is greater than t-table. It shows that transformational leadership has a positive and significant influence on employee performance so that the first hypothesis is accepted.

5.2.2. The Effect of Transformational Leadership on Employee Engagement

Based on the results of hypothesis testing, the effect of transformational leadership on employee engagement is shown by its coefficient value, p-values, t-statistics, and t-table respectively at 0.552, 0.000, 6.216, and 1.96. The p-value is less than 0.05 and the t-statistical value is greater than t-table. It shows that transformational leadership has a positive and significant influence on employee engagement so that the second hypothesis is accepted.

5.2.3. The Effect of *Employee Engagement* on Employee Performance

Based on the results of hypothesis testing, the effect of *employee engagement* on employee performance is shown by its coefficient value, p-values, t-statistics, and t-table respectively at 0.558, 0.000, 6.589, and 1.96. The p-value is less than 0.05 and the t-statistical value is greater than t-table. It shows that *employee engagement* has a positive and significant influence on employee performance so that the third hypothesis is accepted.

5.2.4. The Effect of transformational Leadership on Employee Performance Mediated by *Employee Engagement*

Based on the results of hypothesis testing, the effect of transformational leadership on employee performance mediated by *employee engagement* is shown by its coefficient value, p-values, t-statistics, and t-table respectively at 0.308, 0.000, 5.011 and 1.96. The p-value is less than 0.05 and the t-statistical value is greater than t-table. It shows that transformational leadership has a positive and significant influence on employee performance through employee engagement. Therefore, the last hypothesis is accepted.

6. CONCLUSION

Based on the results of the discussion, respectively there is a significant influence between transformational leadership on employee performance, transformational leadership on employee engagement, and employee engagements on employee performance. In addition, employee engagement is able to mediate the influence of transformational leadership on the performance of employees of PT. Victory International Futures Malang.

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