

The Influence of Transactional and Transformational Leadership Styles on Employee Performance Through Job Satisfaction PT. PNM Pematang Siantar

Yandry Maroli^{1*}, Siti Safaria²
ABFII Perbanas

Corresponding Author: Yandry Maroly yandrymaroly@gmail.com

ARTICLE INFO

Keywords: Service Quality, PKU Program, WOM, Customer Satisfaction, Customer Loyalty

Received : 1 July

Revised : 18 July

Accepted: 20 August

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ABSTRACT

Effect of transactional leadership style and transformational leadership on employee performance through job satisfaction. Leadership Style relationship affecting employee Job Satisfaction, Transactional Leadership Style not affecting employee performance, Job Satisfaction affecting employee performance. Transformational leadership style affecting job satisfaction, Transformational Leadership Style affecting Job Satisfaction Transformational Leadership Style affecting Employee Performance

INTRODUCTION

The increasingly widespread era of globalization requires human resources (HR) to be competent and high spirits in adapting to change and discipline in time, this is the wheel of the organization's movement towards its goals. Humans, who in this case are the main steering wheel in the organization, have a major role in bringing the organization to a more advanced stage, a more advanced stage is the successfulness of the company in reaching goals where in the company the intended goal is the achievement of maximum performance.

Performance achievement or performance measurement results are "comparisons between predetermined performance targets and their realization", so that to support or realize the realization of work requires competent human resource indicators, be it organizational leaders or employees in the organization.

PT Permodalan Nasional Madani (PT. PNM) is a "state-owned enterprise (SOE) financial services business. Established on 1-06-1999 to help micro, small, medium and cooperative businesses". The company PT. PNM is now "developing into a company that brings inspiration to many people, and becomes a leading finance institution in enhancing added value for UMKMK based on Good Corporate Governance (GCG)

Update data in 2022 until now PT PNM has 62 branches spread throughout Indonesia, one of which is PT PNM Pematang Siantar Branch. PT PNM Pematang Siantar branch has been established for approximately 10 years. During the 10 years of the establishment of this company, of course, there have been many journeys, both in business trips, performance achievements, employee effectiveness, leader exchanges and several other indicators that affect the process of running the wheels of the organization at PT. PNM Pematang Siantar Branch.

From the results of interviews, observations and target realization data from PT PNM Siantar Branch, researchers found that there were differences in the achievement of performance or target realization from PT PNM Siantar Branch from year to year which had a decrease such as in the vulnerable year 2022-June 2023 obtained quite high employee turnover, both employees who were absent, resigned and other things. In addition, in terms of business for the 1st quarter category in 2023 with the vulnerable months of January-June 2023, several business indicators were also not achieved, this was due to several factors, one of which was the quality of employee in the coordination of the leader. Based on the observations of researchers at PT PNM Pematang Siantar Branch, there are still many employees who have not been effective in working both from time discipline, work productivity, job satisfaction and others. objectives of this study are:

1. Transactional leadership style affecting employee job satisfaction at PT PNM Pematang Siantar.
2. Transactional leadership style affecting employee performance at PT PNM Pematangsiantar.
3. Job satisfaction of PT PNM Pematang Siantar employees affecting employee performance at PT PNM Pematang Siantar.

4. Transformational leadership style affecting employee job satisfaction at PT PNM Pematang Siantar.
5. transformational leadership style affecting employee performance at PT PNM Pematang Siantar.

LITERATUR REVIEW

Rivai and Mulyadi (2019: 2) state that the success factor of a leader is a leader who can "create a situation so that his subordinates arise awareness to carry out what is desired."

Seeing that transformational leadership capable applied properly by leaders in the company shall provide strong will for employees, so as to reach satisfaction at work, all will have a good impact on employee performance in taking responsibilities, this will also have a good impact on reducing employee turnover rates who will have a sense of satisfaction and comfort working for the company".

Transactional Leadership

According to Yukl (2010:290), Transactional leadership makes transactions to encourage their downline for their own personal interests." To encourage subordinates perform their responsibilities, transactional leaders heavily rely on a system of rewards and punishments. According to Bass (in Yukl 2010:306) "the ties between transactional leaders and subordinates is reflected in :

- 1) Related Awards,.
- 2) Active Management.
- 3) Passive Management.

According to this opinion, transactional leadership style indicators are "Contingent Reward and Management by Exception in general regardless of whether the exception is active or passive".

The leadership characteristics that underlie transactional leadership focus on inter-personal transactions, between management and employees, namely: a) "Leaders use contingent rewards to motivate employees. b) Leaders implement corrective actions only when members are unable to achieve performance goals as they should".

1) Transformational Leadership

Transformational leader is charismatic and have a strategic role to reach organizational purpose. Transformational leaders should have a visionary skill with their downline, and increase the importance downline at a higher level. Burns (in Yukl, 2010: 290) said Transformational leadership fundamental in moral values from downline to raise their awareness of ethical issues and arrange their resources and energy for better company." According to Bass 1990 (in Yukl 2010:305) the factors of transformational leadership are as follows:

- a) Idealized Influence (Charisma)
- b) Individualized Considerations
- c) Inspirational Motivation
- d) Intellectual Stimulus

According to the explanation of the previous opinion, it can be concluded that the extent to which a leader is said to have a transformational leadership

style can be seen from the four things above, namely charisma, individualized consideration, inspirational motivation, and intellectual stimulus.

Mangkunegara states performance is a quantity/quality of jobs in carrying out employees duties related with the responsibilities given to him" (Mangkunegara, 2011: 67). Moeller and Witt stated that a leader has a great influence in encouraging and improving employee performance both in quality/quantity. So through this the role of the leader and the effectiveness of employee performance affect the achievement of performance both in quality/quantity and the job satisfaction will directly affect employee performance.

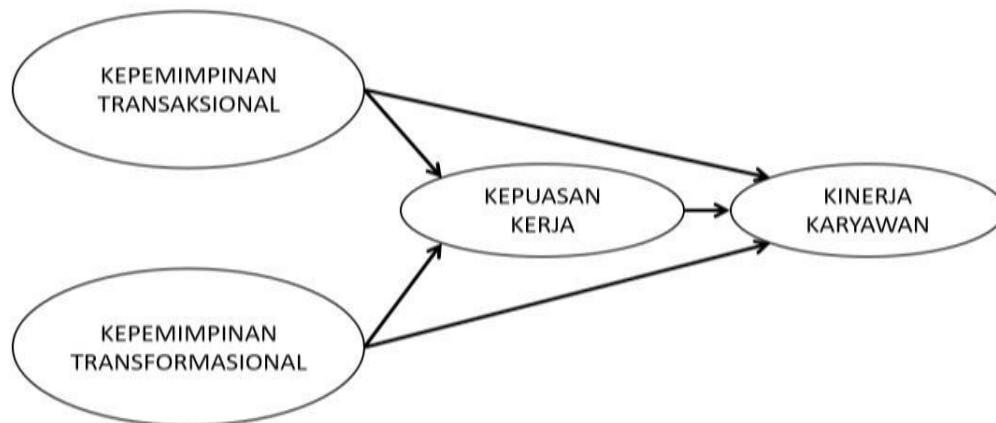


Figure 1. Thinking Framework

Research Hypothesis

1. "H1 transactional leadership style affecting employee job satisfaction" at PT PNM Pematang Siantar
2. "H2 transactional leadership style affecting employee performance" at PT PNM Pematangsiantar
3. "H3 job satisfaction of PT PNM Pematang Siantar employees affecting Employee Performance" at PT PNM Pematang Siantar
4. "H4 transformational leadership style affecting employee job satisfaction" at PT PNM Pematang Siantar
5. "H5 transformational leadership style affecting employee performance" at PT PNM Pematang Siantar.

METHODOLOGY

Using quantitative research, nonprobability sampling with a purposive sample technique. A total of 100 respondents and two analysis methods used, namely outer model analysis with Convergent Validity, Discriminant Validity, Composite Reliability, Cronbach's Alpha and using inner model analysis with Hypothesis Test.

RESEARCH RESULT

Scientific method uses scientific characteristics, systematic, empirice and rational. Rational research in a way accepted by common sense , so that it is possible for reasoning. Empirice observed by the human sense. Sugiyono (2018) said quantitative research produces data in numbers and usually analyzed using inferential or descriptive ". For research using quantitative

Respondent is someone who is able to answer questions submitted in writing, orally or questionnaires from researchers. 100 employees of PT PNM are the respondent. The object of research is described by demographic aspects consisting of education, length of service, age.

Table 1. Respondents of the Research Questionnaire

	Category	Number of Respondents	Percentage
Education Level	HIGH SCHOOL	14	14%
	S1	86	86%
	S2	0	0%
	Total	100	100%
Length of Service	1-3 Years	37	37%
	4-6 Years	38	38%
	Above 7 Years	25	25%
	Total	100	100%
Age	18 - 21	3	3%
	22 - 26	38	38%
	27 and above	59	59%
	Total	100	100%

Source: Research Results (2023)

In this study, the analysis was carried out by calculating the Outer Model, Inner Model, and hypothesis testing. In this case, the analytical tool used is SmartPLS 4. The framework is then poured into an initial model involving all indicators that have been tested for validity and reliability through the results of the questionnaire analysis test.

A. Measurement Model or Outer Model

This shows how each block relates to its latent variable. Confirmatory research (CFA) to ensure whether the construct indicators are valid indicators as forming the latent construct.

three criteria data analysis techniques in SmartPLS 4 explained below

B. Convergent Validity

First is convergent validity. Reflexive measures reliable if they have a correlation value higher than 0.70

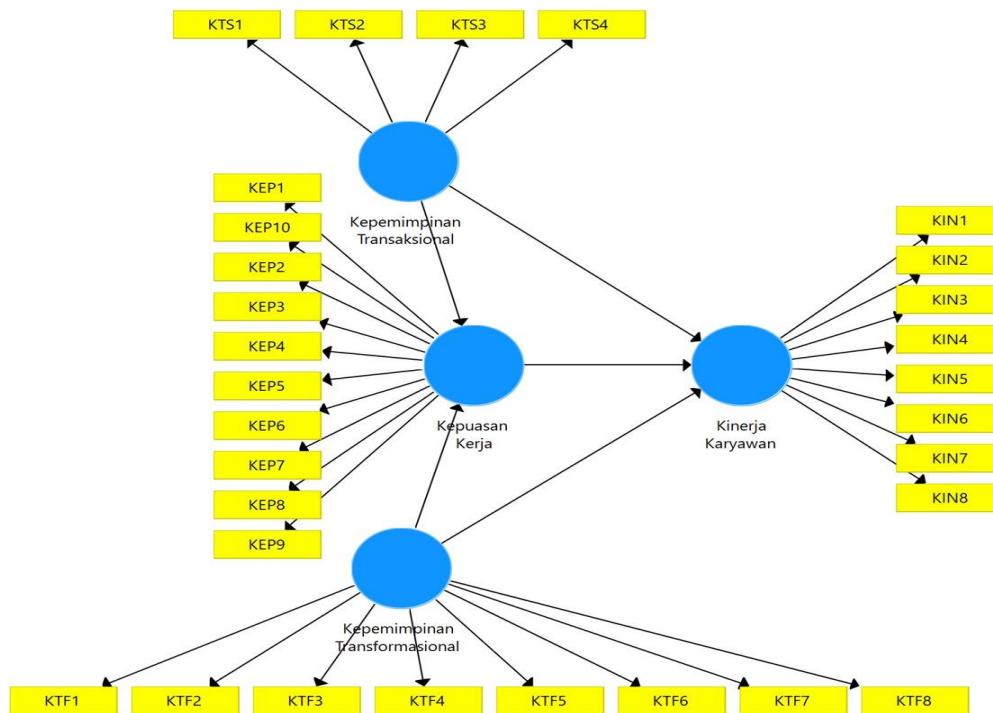


Figure 1. Outer Loading Picture
 Source: SmartPLS 4 Calculation Results (2023)

Table 2. Loading Factor

	Transactional Leadership	Transformational Leadership	Job Satisfaction	Performance_Employee
KEP1			0.747	
KEP10			0.783	
KEP2			0.732	
KEP3			0.683	
KEP4			0.573	
KEP5			0.808	
KEP6			0.802	
KEP7			0.862	
KEP8			0.818	
KEP9			0.755	
KIN1				0.794
KIN2				0.748
KIN3				0.859
KIN4				0.823

KIN5				0.768
KIN6				0.810
KIN7				0.518
KIN8				0.697
KTF1		0.839		
KTF2		0.840		
KTF3		0.919		
KTF4		0.909		
KTF5		0.911		
KTF6		0.930		
KTF7		0.923		
KTF8		0.918		
KTS1	0.790			
KTS2	0.735			
KTS3	0.809			
KTS4	0.835			

Source: Research Results (2023)

Correlation between indicators and their constructs have a correlation value (loading factor) below 0.7. So it is necessary to do stage 2 calculations to eliminate / delete values below 0.7. The following is a picture of the results of stage 2 analysis.

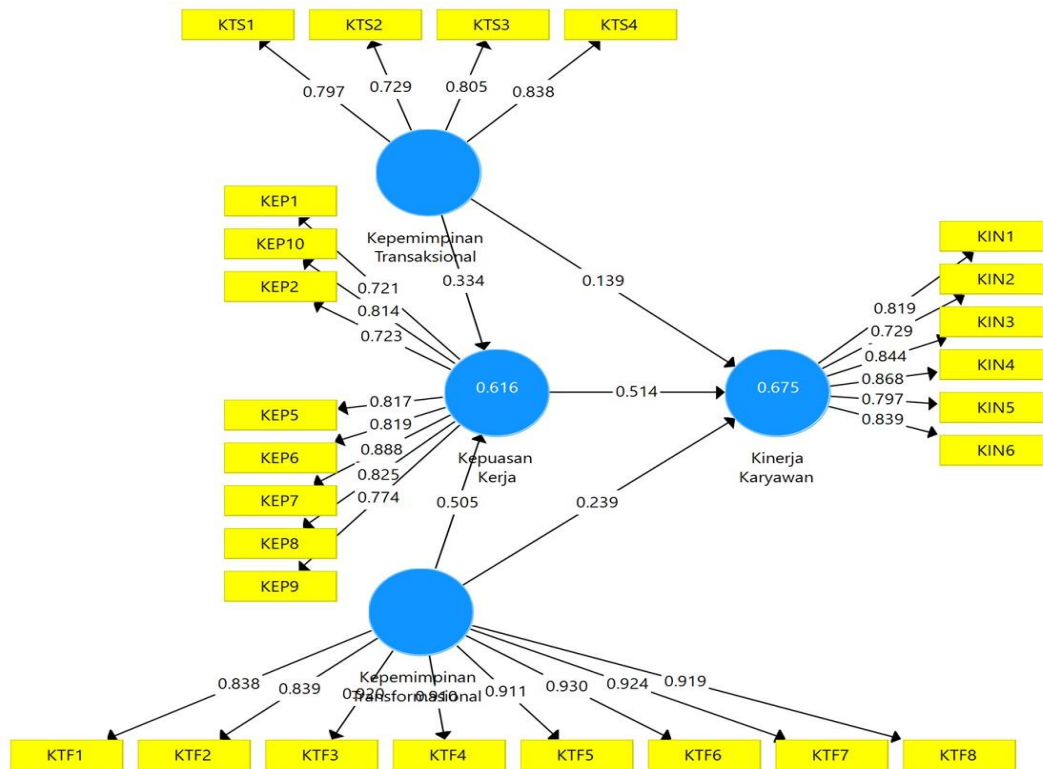


Figure 2. Outer Loading Stage 2
 Source: SmartPLS 4 Phase 2 Calculation Results (2023)

The picture above is a stage 2 calculation that has eliminated / deleted values below 0.7.

Table 3. Loading Factor Stage 2

	Transactional Leadership	Transformational Leadership	Job Satisfaction	Performance_Employee
KEP1			0.721	
KEP10			0.814	
KEP2			0.723	
KEP5			0.817	
KEP6			0.819	
KEP7			0.888	
KEP8			0.825	
KEP9			0.774	
KIN1				0.819
KIN2				0.729
KIN3				0.844
KIN4				0.868

KIN5				0.797
KIN6				0.839
KTF1		0.838		
KTF2		0.839		
KTF3		0.920		
KTF4		0.910		
KTF5		0.911		
KTF6		0.930		
KTF7		0.924		
KTF8		0.919		
KTS1	0.797			
KTS2	0.729			
KTS3	0.805			
KTS4	0.838			

Source: Research Results (2023)

Apart from outer loading, another parameter of convergent validity is Average Variance Extracted (AVE). all value variable must be above 0.50 so that the convergent validity test on the AVE parameter is declared valid.

Table 4. Average Variance Extracted (AVE)

Variable	AVE	Rule of Thumb	Result
Transactional Leadership	0.629	>0.50	Valid
Transformational Leadership	0.809	>0.50	Valid
Job Satisfaction	0.639	>0.50	Valid
Employee Performance	0.668	>0.50	Valid

Source: Research Results (2023)

Discriminant Validity

Second is discriminant validity. The parameters used in discriminant validity are cross loadings, where the cross loadings value should above 0.70.

Table 5. Cross Loadings

	Transactional Leadership	Transformational Leadership	Job Satisfaction	Performance_Employee
KEP1	0.540	0.538	0.721	0.613
KEP10	0.533	0.606	0.814	0.607
KEP2	0.526	0.511	0.723	0.690
KEP5	0.505	0.588	0.817	0.613
KEP6	0.571	0.596	0.819	0.638
KEP7	0.668	0.700	0.888	0.716
KEP8	0.592	0.651	0.825	0.606
KEP9	0.575	0.605	0.774	0.566
KIN1	0.615	0.646	0.715	0.819
KIN2	0.479	0.446	0.552	0.729
KIN3	0.499	0.542	0.649	0.844
KIN4	0.588	0.687	0.654	0.868
KIN5	0.502	0.588	0.638	0.797
KIN6	0.629	0.630	0.658	0.839
KTF1	0.668	0.838	0.648	0.644
KTF2	0.668	0.839	0.646	0.634
KTF3	0.610	0.920	0.668	0.618
KTF4	0.710	0.910	0.674	0.634
KTF5	0.634	0.911	0.682	0.649
KTF6	0.640	0.930	0.674	0.664
KTF7	0.711	0.924	0.713	0.719
KTF8	0.684	0.919	0.701	0.670
KTS1	0.797	0.662	0.605	0.587
KTS2	0.729	0.427	0.467	0.430
KTS3	0.805	0.565	0.597	0.526
KTS4	0.838	0.665	0.562	0.594

Source: Research Results (2023)

The table shows the value of cross loadings of all variables above 0.70 and the correlation of constructs with their indicators is higher than the size of other constructs, for example the KEP1 indicator of the Job Satisfaction variable is worth 0.721 which is greater than transactional leadership, Employee

Performance and Transformational Leadership variables which are worth 0.540 - 0.538 - 0.613 respectively.

Reliability Test

Third is reliability test. Variables are reliable if the Cronbach's alpha and composite reliability value above 0.70.

Table 6. Reliability Test

Variables	Cronbach's Alpha	Composite Reliability
Transactional Leadership	0.803	0.871
Transformational Leadership	0.966	0.971
Job Satisfaction	0.918	0.934
Employee Performance	0.900	0.923

Source: Research Results 2023

In the table above, the reliability test results indicate the value of all variables in the Cronbach's alpha and composite reliability parameters above 0.70.

Inner Model

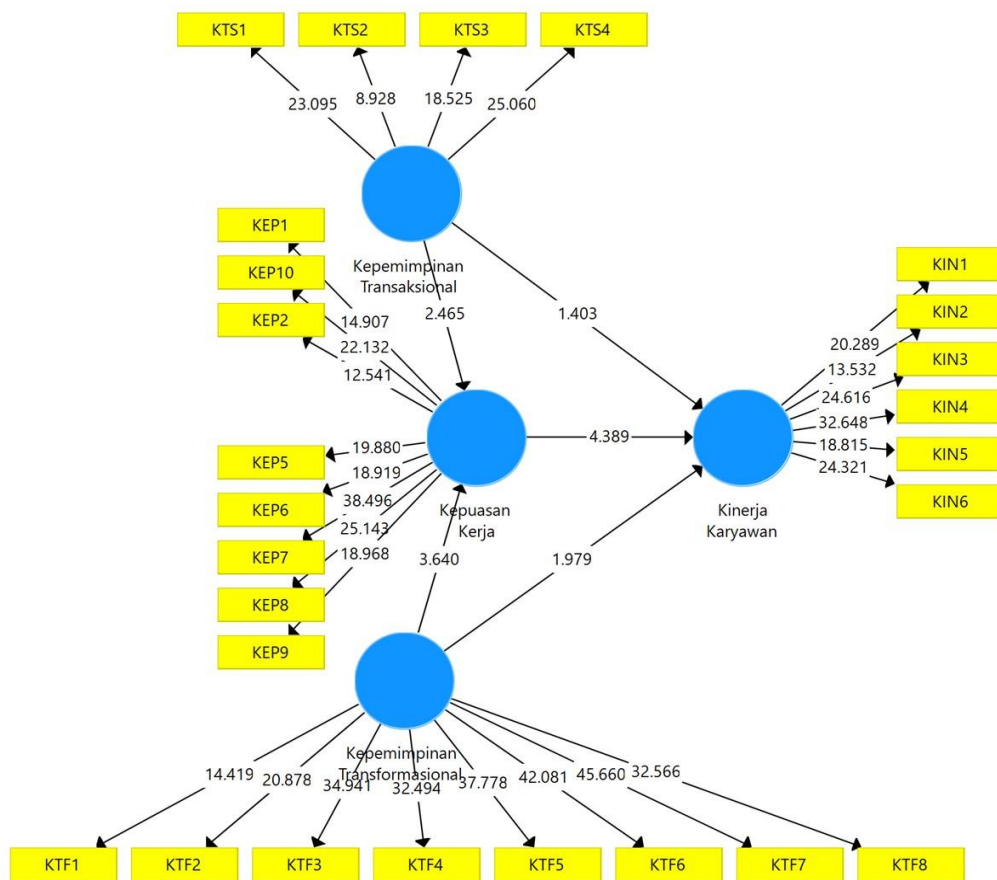


Figure 3. Inner Model

Source: SmartPls 4 Phase 2 Calculation Results (2023)

Using SmartPLS 4, it starts by looking at the R-square, for each independent latent variable. R Square score 0.75 is strong, 0.50 is moderate, 0.25 is weak.

Table 7. R-Square

	R Square	R Square Adjusted
Job Satisfaction	0.616	0.609
Employee Performance	0.675	0.665

Source: Research Results 2023

R-square score of job satisfaction is 0.616. This shows that the effect of Transactional and Transformational Leadership variables on job satisfaction provides an R-Square value of 0,616 or 68.6% and is included in the moderate category. It can be interpreted that the Job Satisfaction variable is influenced by the Transactional and Transformational Leadership variables by 61.6% percent, while the other 39.4% influenced by other variables

R-square score for the Employee Performance variable is 0,675 or 67.5% and is included in the Moderate category. This means that 67.5% percent of Employee Performance can be interpreted by the Transactional Leadership and Transformational Leadership variables, while the other 33.5% influenced by other variables.

Hypothesis Test

Hypothesis testing can be seen from the T-statistics and pvalue values. To find out the effect can be done by looking at the T-statistics output which indicates a positive or negative effect, while to find out the level of significance can look at the p-value.

$$DF = n - k$$

$$= 100 - 4$$

*n = number of respondents DF
 *k = number of research variables

$$DF = 96$$

*DF = Degree of Freedom

In statistical table, the t-table score with a score of 96 is 1.984, significance level (α) of 5% (0.05).

- If P-Values > 0.05 or t count < t table, Ho accepted, Ha rejected.
- If P-Values < 0.05 or t count > t table, Ho rejected, Ha accepted.

Path Coefficient Table

Table 8. Model Path Coefficients and T-Statistics Structural Research Model

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
Kepemimpinan_Transaksional -> Kepuasan_Kerja	0.334	0.337	0.112	2.987	0.004
Kepemimpinan_Transaksional -> Kinerja_Karyawan	0.139	0.136	0.092	1.522	0.131
Kepemimpinan_Transformasional -> Kepuasan_Kerja	0.505	0.519	0.108	4.676	0.000
Kepemimpinan_Transformasional -> Kinerja_Karyawan	0.239	0.246	0.119	2.006	0.048
Kepuasan_Kerja -> Kinerja_Karyawan	0.514	0.511	0.110	4.660	0.000

Source : Research Results 2023

4 variables have a positive T Statistic value, meaning that the ties between the independent and dependent variables is positive. 4 P-value variables indicate a value below 0.05, namely Transactional Leadership affecting Job Satisfaction, Transformational Leadership affecting Job Satisfaction, Transformational Leadership affecting Employee Performance and the Job Satisfaction affecting Employee Performance. Meanwhile, there is 1 variable that is not significant and has a negative effect, namely Transactional leadership on Employee Performance.

DISCUSSION

Transactional Leadership Style Affecting Job Satisfaction

With a P-value of 0.004 below the significance level of 0.05 and a t statistics 2,987 which is greater than t table 1.984. So Transactional Leadership affects Job Satisfaction (H_a is accepted). coefficient score 0.334 which indicates that Transactional Leadership affecting Job Satisfaction by 33.4%. (H_1) is accepted. Means Transactional Leadership Style affecting Job Satisfaction.

Transactional Leadership Style Affecting Employee Performance

With a P-value of 0.131 above the significance level of 0.05 and a t statistics 1.522 which is smaller than the t table 1.984. so Transactional Leadership Style not affecting Employee Performance (H_a rejected). coefficient score 0.139 which indicates that Transactional Leadership affecting Employee Performance by 13.9%. (H_2) is rejected. Means Transactional Leadership affecting Employee Performance.

Job Satisfaction Affecting Employee Performance

With a P-value of 0.000 below the significance level of 0.05 and a t statistics 4.676 which is greater than t table 1.984. so Job Satisfaction affects Employee Performance (H_a accepted). coefficient score 0.505 which indicates that Job Satisfaction affecting Employee Performance by 50.5%. (H_3) is accepted. Means Job Satisfaction affecting Employee Performance.

Transformational Leadership Style Affecting Job Satisfaction

With a P-value of 0.048 below the significance level of 0.05 and a t statistics 2.006 which is greater than the t table 1.984. So Transformational Leadership Style affects Job Satisfaction (H_a accepted). coefficient score 0.239 which indicates that Transformational Leadership Style affecting Job Satisfaction by 23.9%. (H_4) is accepted. Means Transformational Leadership Style affecting Job Satisfaction.

Transformational Leadership Style on Employee Performance

With a P-value of 0.000 below the significance level of 0.05. and a t statistics 4.660 which is greater than the t table 1.984. so the Transformational Leadership Style affects performance (H_a accepted). coefficient score is 0.514 which indicates that the Transformational Leadership Style affecting Employee Performance by 51.4%. (H_5) is accepted. Means Transformational Leadership Style affecting Employee Performance.

CONCLUSION AND RECOMMENDATION

1. Transactional Leadership Style affecting employee Job Satisfaction, P-value 0.004 below the significance level 0.05 and a t statistics 2,987 which is greater than the t table 1.984. So Transactional Leadership affects Job Satisfaction (H_a is accepted). coefficient value is 0.334 which indicates Transactional Leadership affecting Job Satisfaction by 33.4%. (H_1) is accepted.
2. Transactional Leadership Style not affecting employee performance, P-value 0.131 above the significance level of 0.05 and a t statistics 1.522 which is smaller than the t table 1.984. so Transactional Leadership Style not affecting employee performance (H_a rejected). coefficient value 0.139 which indicates that Transactional Leadership affects Employee Performance by 13.9%. (H_2) is rejected.
3. Job Satisfaction affecting employee performance, P-value 0.000 below the significance level of 0.05 and a t statistics 4.676 which is greater than the t table 1.984. So Job Satisfaction affects Employee Performance (H_a accepted). coefficient value 0.505 which indicates that Job Satisfaction affecting Employee Performance by 50.5%. (H_3) is accepted.
4. Transformational leadership style affecting job satisfaction, P-value 0.048 below the significance level of 0.05 and a t statistic 2.006 which is greater than the t table 1.984. so Transformational Leadership Style affects Job Satisfaction (H_a accepted). Coefficient value 0.239 which indicates that the Transformational Leadership Style affecting Job Satisfaction by 23.9%. (H_4) is accepted. .
5. Transformational leadership style affecting performance, P-value 0.000 below the significance level of 0.05 and t statistic 4.660 which is greater than the t table 1.984. so Transformational Leadership Style affects performance (H_a accepted). coefficient value 0.514 which indicates that the Transformational Leadership Style affecting Employee Performance by 51.4%. (H_5) is accepted.

FURTHER STUDY

This research still has limitations, so it is necessary to carry out further research related to the topic of The Influence of Transactional and Transformational Leadership Styles on Employee Performance Through Job Satisfaction in order to perfect this research and add insight to readers

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