

# Analysis of Transformational and Transactional Leadership on Employee Performance

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Leadership is one of the most important things in an organisation. The development of a construction project will succeed if it is well managed by a leader: this not only results in success in completing a construction project, but also with good leadership the performance of its employees can be improved. The purpose of this study is to determine the effect of transformational and transactional leadership styles separately on employee performance, and whether the transformational leadership style has a more dominant influence compared to the transactional leadership style in employee performance. This research was conducted at a state-owned company engaged in the construction services industry, namely PT Waskita Karya (Persero) Tbk West Java branch office. The type of research used is quantitative by using descriptive and explanatory methods.

**Key words:** *Transformational Leadership, Transactional Leadership, Employee Performance.*

## Introduction

One factor supporting the success and progress of an organisation or company is the human resource factor. The success rate of human resources can be measured through an assessment of employee performance according to (Simanjuntak, 2015) (Magdalena, Harmein, & Nazaruddin, 2016), with predetermined and different rules, models and systems. High and low numbers of work appraisal results are comparable to high and low levels of the quality of the performance of the employees themselves, which can be influenced by several factors. One factor that can affect employee performance is leadership style. According to (Paracha, Qamar, Mirza, & Waqas, 2012), leaders play an important role in achieving organisational goals and improving employee performance by enhancing their level of work satisfaction. This is in line with (Wehrich, et al, 2008) in (Odumeru & Ogbonna, 2013) who state that

leadership is one of the most important aspects in management because leadership is the main factor that contributes to the welfare of an organisation. In addition, being confronted with a competitive global environment requires an effective leadership style. An effective leadership style can certainly achieve organisational goals productively (Nanjundeswaras & Swamy, 2014).

Burns (1978) (Birasnav, 2014) highlighted the importance of developing transformational leadership and transactional leadership in an organisation or company. Whereas Howell and Avolio (1993) (Birasnav, 2014) support the idea that a leader can exhibit transformational and transactional behaviour with different intensity levels when a situation requires managerial activities such as the acquisition of resources to achieve the company vision.

This research was conducted at a state-owned company engaged in construction services, namely PT Waskita Karya (Persero) Tbk West Java branch office. As we have seen based on data from the Central Statistics Agency, which the author summarized from Bisnis.com 5 November 2018, that the percentage share of construction in GDP has increased significantly. In the third quarter of 2018, the portion held by construction in the Indonesian economy reached 10.36%. This figure increased compared to the position four years ago, where the contribution of the construction sector was still in the range of 9%. PT Waskita Karya is one of the BUMN construction companies recording an increase in issuers' net profit year on year.

This result of course is inseparable from the success of leadership in managing the state-owned company PT Waskita Karya (Persero) Tbk. This is most certainly related to the leadership style that is applied to leading the company. PT. Waskita Karya has a target of increasing the company's value through quality construction products and services that have high competitiveness, which is explained in the company's mission statement. To be able to increase company value through construction products and services, reliable employee performance is needed to be regularly improved in carrying out the company's tasks well, and that takes a leader figure who will be a role model for employees in the company PT. Waskita. Based on this, the authors are interested in conducting research aimed at analysing transformational leadership styles on employee performance, and analysing transactional leadership styles on employee performance. Simultaneously we will be analysing transformational and transactional leadership on employee performance in the building division of PT Waskita Karya (Persero) Tbk West Java branch office.

## Literature Review

### *Leadership*

Leadership is a process of influencing groups to achieve goals, while a leader is someone who can influence others (Cole, 2006; Robbin and Coulter, 2007; Wehrich et al, 2008) and (Odumeru & Ogbonna, 2013). Whereas James M. Black on Management in (Sundi, 2013) also argues that leadership is the ability to convince and mobilise others to work together as a team under his leadership to achieve certain goals. In this case, leadership is one of the most important factors in an organisation, because most successes and failures in an organisation are determined by leadership (Dunne, Aaron, McDowell, Urban, & Geho, 2016). Today's organisations need effective leaders who understand the complexities of a rapidly changing global environment. If the task is very structured and the leader has a good relationship with employees, it will create high effectiveness on the part of employees (Nanjundeswaras & Swamy, 2014).

### *Transformational Leadership*

In transformational leadership according to (Avolio, Waldman, & Yammarino, 1991), leaders help reconcile the values and norms of their organisations, and if necessary, accommodate and promote internal and external change. Burns (1978) was the first writer to introduce the concept of transformational and transactional leadership. Burns (1978) and (Dartey-baah & Ampofo, 2015) explains that transformational leadership is a process in which an individual will engage with other individuals so that leaders and followers increase each other's motivation and higher morality. In transformational leadership, followers identify themselves with the leader, share the leader's vision of the future, and work hard to achieve predetermined goals. Transformational leadership believes in collective efforts, emphasising group work as the best way to achieve organisational goals. While other opinions according to (Jung, Chow, & Wu, 2003) and (Kark, Dijk, & Vashdi, 2018) are that transformational leadership provides intellectual stimulation, which encourages followers to think "outside the box", and explore new ways of thinking. The indicators in transformational leadership according to Avolio and Bass (2002) and (Moriano, Molero, Topa, & Lévy Mangin, 2014) are inspirational motivation, ideal influence (idealised influence or charismatic influence) (associated with behaviour), individualised consideration, and intellectual stimulation.

### *Transactional Leadership*

Robbin and Judge (2008: 90), (Wahyuni, Christiananta, & Eliyana, 2014) explain that transactional leadership is an activity that guides or motivates their followers to achieve their stated goals by confirming their roles and tasks. Robbin and Judge (2008: 91) state that there

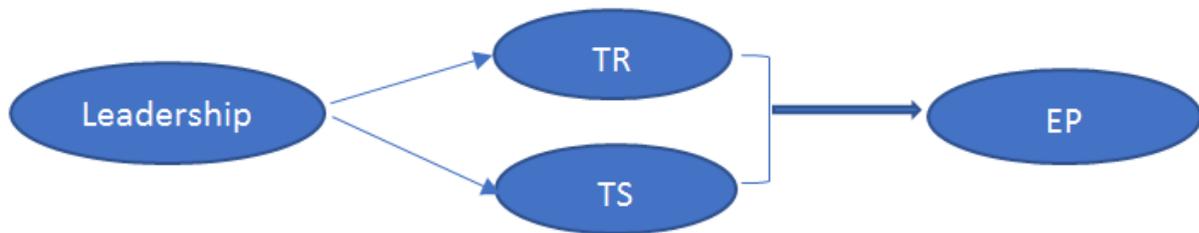
are several requirements in transactional leadership, namely: (1) Conditional rewards, (2) Management with exceptions (active), (3) Management with exceptions (passive), (4) Laissez-Faire. According to (Vera and Crossan, 2004; Shrivastava, 1983) and (Baskarada, Watson, & Cromarty, 2017) provide an opinion that transactional leadership likes a closed culture, mechanistic structure, and formal systems and procedures. Transactional leadership is described according to Zelenzik (1977) and (Mahdinezhad, Suandi, Daud, & Omar, 2013) as individuals who manage followers by setting goals, allocating tasks, and performing tasks by punishing those who do not perform and rewarding those who perform. (Wegner, 2004) and (Mahdinezhad et al., 2013) also believe that transactional leaders please their followers because they acknowledge the desires of their followers.

### ***Employee Performance***

Robbins (2008: 218) and (Sundi, 2013) explain that employee performance is a function of the interaction between ability and motivation – if it is inadequate then performance will be negatively affected. Intelligence and skills must also be considered in addition to motivational abilities. Meanwhile, according to (Shahzadi et al., 2014), employee performance is considered as what employees do and what they do not do. Employee performance involves the quality and quantity of outputs, attendance at work, accommodative and beneficial nature and timeliness of output. (Anitha, 2014) explains that employee performance is the result achieved and achievements made in the workplace. Performance refers to maintaining a plan while aiming for results. Bernardin and Russel (Ruky, 2004: 340) and (Sundi, 2013) also stated five main criteria that can be used as indicators of employee performance, including 1. Quality of work, 2. Quantity of work, 3. Timeliness, 4. Work independence and 5. Individual relationships.

### **Research Methods**

The type of research used is the explanatory survey research method (explanatory survey). According to (Sugiyono, 2011), the explanatory method is a research method carried out in large and small populations, but the data taken is data from the population results, resulting in relative relationships, and relationships between variables. A research location is a place where researchers obtain information, data and conduct surveys to obtain answers to problems in the research conducted. This research was conducted in the building division of PT. Waskita Karya (Persero) Tbk Bandung. Data collection techniques used questionnaires, with the study of employee literature in the building division of PT. Waskita Karya (Persero), Tbk. The data analysis technique used in this study is multiple linear regression analysis supported by the SPSS program. The framework of thought can be described as follows in Figure 1:



**Figure 1. The Conceptual Framework**

Information:

TR = Transformational (X1)

TS = Transactional (X2)

EP = Employee Performance (Y)

Previous studies include (Deichmann & Stam, 2015), Leveraging Transformational and Transactional Leadership to Cultivate the Generation of Organisation-Focused Ideas, which reveals that transformational and transactional leadership are effective in motivating followers to commit to the goals of an ideal program. Then according to (Mahdinezhad et al., 2013), Transformational, Transactional Leadership Styles and Job Performance of Academic Leaders, the findings in this study will be beneficial for academic leaders. Mainly aimed at increasing the effectiveness of higher education institutions, they therefore adopt a leadership style that polishes the abilities of academic leaders and helps them to achieve increased earnings performance. (Afsar, Badir, Saeed, & Hafeez, 2017), Transformational and Transactional Leadership and Employee's Entrepreneurial Behaviour in Knowledge-Intensive Industries, found that transformational leadership is positively related to entrepreneurial behaviour only when psychological empowerment is high, whereas transactional leadership has a negative relationship with entrepreneurial behaviour only under these conditions.

The population in this study were employees who were in the building division of PT Waskita Karya (Persero) Tbk West Java Branch Office, where the total population was 70 employees. This sampling technique used accidental sampling, (Ethics, 2017), namely the sudden withdrawal of samples based on what was found by the author. In determining the number of samples, the author uses the Slovin formula in (Walsa and Ratnasari, 2016) and then obtained a sample size of 60 people.

The type and source of data used in this study are primary and secondary data. Primary data was obtained by distributing questionnaires to employees of the building division of PT Waskita Karya (Persero) Tbk, West Java Branch Office, whereas secondary data was obtained based on literature and journal studies. This questionnaire technique uses a Likert Scale, with the scale proposed based on (1) strongly disagree, (2) disagree, (3) somewhat agree (doubtful), (4) agree, (5) strongly agree.

In this study, the independent variables are the transformational leadership style and transactional leadership style. The dependent variable is employee performance. The indicators of transformational leadership style are inspirational motivation, ideal influence (associated with charismatic influence), (associated with behaviour), individualized consideration, and intellectual stimulation (Intellectual stimulation). Then the transactional leadership style indicators are (1) Conditional rewards, (2) Management with exceptions (active), (3) Management with exceptions (passive), (4) Laissez-Faire. Employee performance indicators include 1. Work quality, 2. Work quantity, 3. Timeliness, 4. Work independence and 5. Individual relationships.

In this research, the data analysis technique uses the validity test, reliability test, mean analysis, different test (one sample T-test), classic assumption test, R square test, multiple linear regression and partial test (T).

## **Result and Discussion**

### ***Profile Description of Respondents***

Based on the results of these respondents it can be seen that the employees are male – as many as 58 people, or 97%. Meanwhile, employees who are female are as many as 2 people, or 3%. There are 2 employees aged 17 years to 25 years, and 54 people aged 26 to 35 years. There are 4 people aged over 35 years. There are 13 people, or 21.67% of employees who have their last education at the vocational level. 46 people or 76.67% have their last education at Bachelor level (S1). Meanwhile, 1 person or 1.67% have their last education at S2 level (Masters). It is known that 33 people or 55% of employees are married. 27 people or 45% are not married. There are 6 people or 10% of employees who work less than or equal to 6 months. As many as 19 people or 31.70% worked more than 6 months to 1 year. 11 people or 18.30% have worked for more than 1 year up to 2.5 years. Meanwhile, as many as 24 people or 40% who have worked for more than 2.5 years.

## **Discussion**

### ***Validity Test Results***

In measuring the validity, the significance coefficient of the correlation test is used at the significance level of 0.05. From the results of the validity test, it was found that the correlation coefficient between each statement with the total score produced a significance value below 0.05. So, it can be concluded that all statements of each variable are valid.

### ***Reliability Test Results***

To measure reliability the Cronbach Alpha technique is used. If the Cronbach Alpha value  $> 0.6$ , then the statement items that make up the research variable are said to be reliable. From the results of the reliability test, the variables of transformational leadership style, transactional leadership style, and employee performance have a Cronbach Alpha value  $> 0.6$ , so it can be concluded that the statement items that measure the research variables are reliable.

### **Mean Analysis and Difference Test (One-Sample T-Test)**

The average value (mean) of the transformational leadership style as a whole is 14.47, which is classified as a good category, while the average value (mean) of the transactional leadership style as a whole is 18.77, which is also classified as a good category. Thus, the transformational leadership style and transactional leadership style do not have significant differences; the two leadership styles are even in the same category, which is the good category.

A different test though (One sample T-Test) found that the significance value of 0.853 is greater than 0.05, showing that there is no significant difference between the transformational leadership style and transactional leadership style.

So it can be concluded that the leadership style applied by the Project Manager of the PT Waskita Karya (Persero) Tbk building division is a combination of the two types of leadership styles that exist, namely the transformational leadership style and the transactional leadership style.

### ***Classical Assumption Test Normality Test***

The normality test can be done with the Normal Probability Plot test. Based on the results of the normality test it was shown that the residual plots were normally distributed following the normality line and being around the line. Therefore, the authors conclude that the resulting regression equation is normally distributed.

### ***Autocorrelation Test***

The autocorrelation test can be used with the Durbin-Watson test ( $dw$ ). If  $dw > du$ , then it can be concluded that there is no autocorrelation. The Durbin-Watson table value ( $n = 60$ ,  $k = 2$ ) is  $du = 1.6518$ . Based on the results of the autocorrelation test it can be shown that

the Durbin-Watson (dw) value of 2.190 is greater than the du value of 1.6518. So, it can be concluded that autocorrelation did not occur.

### *Heteroscedasticity Test*

To test whether there is a heteroscedasticity problem we can use the Glejser test. Based on the results of the heteroscedasticity test it can be shown that the significance value between the independent variables and the absolute residual that is the transformational leadership style of 0.148 and the transactional leadership style of 0.249, is greater than the significance value of 0.05. Then it can be concluded that there was no heteroscedasticity.

### **Multiple Linear Regression Analysis**

**Table 1:** Results of the Bergland Linear Regression Analysis

Model	The Beta Model	t calculates	Significance
Constants	6.350	1.654	
Transformational Leadership(X <sub>1</sub> )	0.422	0.137	0.003
Transactional Leadership (X <sub>2</sub> )	0.466	0.145	0.002
R square	0.505		
Bound Variable: Employee Performance (Y)			

The multiple linear regression equation is:

$$Y = 6.350 - 0.422X_1 + 0.466X_2$$

The multiple based on the table above shows that the value of R square for employee performance is 0.505%, which means that the influence of the transformational leadership style and transactional leadership style on employee performance is 0.505%, while the remaining 99.49% is influenced by other variables not examined by the authors.

In the T-Test, if the significance value is less than 5%, then the transformational leadership style and transactional leadership style partially influence and significantly affect employee performance. Based on the table above, the significance value of the transformational leadership style and transactional leadership style is greater than the significance value. Thus, the transformational leadership style has a partially insignificant effect on employee performance, and the transactional leadership style has a partially insignificant effect on employee performance.

Based on the results of this test, it was found that the transactional leadership style has a more dominant influence than the transformational leadership style on employee performance, although not significantly. This can be seen from the beta value of a transformational leadership style that is equal to 0.422. Meanwhile, the beta value of the transactional leadership style is equal to 0.466.

## **Conclusion**

The leadership style adopted in the building division of PT. Waskita Karya (Persero) Tbk West Java branch office is a blend of the transformational leadership style and transactional leadership style. The transformational leadership style and transactional leadership style have an insignificant effect on the performance of employees of the building division of PT Waskita Karya (Persero) Tbk, West Java branch office. The transactional leadership style has a more dominant influence compared to the transformational leadership style on the performance of the employees of the PT Waskita Karya (Persero) Tbk branch office in West Java.

The performance of employees who work in the building division of PT Waskita Karya (Persero) West Java branch office is highly determined on the targets/work programs, work schedules and SOP (Standard Operational Procedure) that have been set by the company, as well as employees in obtaining salaries following the MSE (City Minimum Wage). This results in the leadership style not having a significant influence on the performance of employees working in the PT Waskita Karya (Persero) Tbk building.

## **Suggestions**

1. For Project Managers in the building division of PT Waskita Karya (Persero) Tbk, the transactional leadership style should be emphasised, such as closely monitoring the work done by employees and making corrections to employees who make mistakes because the transactional leadership style has a more dominant influence on performance.
2. For Project Managers in the building division of PT Waskita Karya (Persero) Tbk, in improving employee performance, it is better to focus on other things such as providing training (training) periodically and also more focus on motivating employees to work according to targets/work programs that have been set as part of the leadership style.
3. For further research, the author suggests the use of other research variables that can enrich insight about leadership, especially regarding the study of human resource management, so that it can improve the performance of employees of the building division of PT Waskita Karya (Persero) Tbk, West Java branch office.

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