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Transactional Leadership, Motivation and Employee Performance

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This study aimed to explain and analyze the influence of transactional leadership on employee performance through motivation as an intervening variable. This research was conducted over manufacturing company. Here, we use 140 correspondents to take the data observation. In order to analyze the data hypotheses, we use exploratory method over AMOS software. The results shows that the significant and positive relationship exists between transactional leadership on motivation, motivation on employee performance, and transactional leadership on employee performance with motivation as intervening have positive correlation. If the transactional leadership and organizational culture are supported by high work motivation, a company will be able to improve performance action.

Keywords: Transactional Leadership, Work Motivation, and Employee Performance.

1. INTRODUCTION

Human resources are the most important factor in a company. Without the right and qualified human resources, a company will be difficult to achieve their goals or targets. There needs to be an appropriate relationship between company to achieve the goals. One of the performances of business organizations has approved by a quality of human resources owned. Therefore, the importance of human resources in the organization, the attention to human resources is more often compared to other factors of production. In companies, there is an output increasing their production, and one of the supporting factors is employee performance. If the performance of the design, job evaluation, and career do not meet expectations, over employee will be disappointed [1]. The performance is influenced by several factors, namely their ability, motivation, support received, the existence of the work they do, and their relationship with the organization [2]. One factor is motivation. This motivation as an impulse in a person to do an activity or can also be said as a driver that causes people to do something to achieve goals. In this context, the motivation describes as a manager's

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activities to improve performance in order to produce effective performance. By providing the right motivation, employees are able to carry out as much as possible in carrying out the tasks and objectives requested, thus increasing company performance. A motivation is the process of trying to get someone to do something they want. Each employee will have different values according to the system of values that apply to the employee itself. Motivation can support with 3 (three) indicators, namely the need for achievement, the need for affiliation, and the need for power [3]. The performance and motivation by using leadership style. It can help achievement in work if they can do their jobs well to achieve the specified work goals. Improved employee performance is inseparable from the target or direction of a leader [4]. Leadership takes various forms, such as the Transformational Leadership Style over servant Leadership, Resonance, and others [5, 6, 7]. As leaders in charge of employees are expected to set a good example, protect their subordinates, and not only achieve company targets [8]. It is realized by every leader in a company, there are techniques to be able to improve company performance so that it can be improved by increasing motivation for

subordinates, then subordinates can carry out their duties in accordance with the rules and direction. Each employee will have a different level of motivation according to the system values that apply to the employee itself. The more workers in accordance with individual desires, the higher a motivation received. Employee work motivations have an effort to achieve work harmony in a work team and realize that coercion for the organization or company (without regard to employee interests). A motivation can support with 3 (three) indicators, namely the need for achievement, affiliation, power [8]. A good leader who is able to provide all the resources in the company has the ability to support the activities of the subordinates they lead to achieve a company or organizational goal. The importance of leadership in an effort to achieve company or organizational goals, it can be determined that these goals will succeed or fail. The transactional leadership style opposes the competition of manufacturing companies [9]. Transactional leaders shift the way of work that is adapted to the type and level of leadership and conduct interaction or mutual relations. Transactional leadership has more roles in his role as a manager because he is very involved in procedural, managerial aspects that are methodological and physical. Transactional leadership as a transfer-imbalance imbalance to get approval [9]. The transactional leadership asks for values that are relevant for the transition process such as honesty, fairness, responsibility, and transportation [10]. However, the right leadership style without good motivation, employee performance will be difficult to improve performance action. Therefore, based on the background described above, this study discusses the transactional leadership style, motivation, and performance of employees by selecting manufacturing companies as the object of research.

2. METHODOLOGY

A. Transactional Leadership Style

Transactional leadership is described as a leader that provides an explanation of what is the responsibility or duty of subordinates and the rewards they can expect if the specified standard is reached. Transactional leadership emphasizes transactions or exchanges that occur between leaders, colleagues, and subordinates. This exchange based on leaders discussions with related parties to determine the conditions and reward specifications if subordinates meet the specified conditions [11]. Transactional leaders are leaders who guide or motivate their followers in the direction of their stated goals by clarifying their roles and tasks [12]. Transactional leaders to tend on focused by completing organizational tasks. To motivate subordinates to carry out their responsibilities, transactional leaders rely heavily on the system of rewarding and punishing subordinates [13]. Transactional leaders motivate subordinates to actions as expected through the determination of rewards and penalties. According to transactional leadership, the relationship

between leaders and subordinates is based on a series of bargaining activities between the two indicators [14]. This Indicators of transactional leadership are contingent rewards, active management by exception, passive management by exception [15]. Here, contingent rewards is consist of material reward and psychological reward. Contingent Rewards is intended that subordinates get direction from the leader regarding the procedures for carrying out the tasks and targets that must be achieved. Subordinates will receive a reward from the leaders in accordance with their abilities to comply with the task procedures and success by achieving predetermined targets. Active management by exception explains the behavior of leaders who always conduct directive supervision of their subordinates. The directive supervision referred to is to oversee the process of carrying out subordinate duties directly. It aims to anticipate and minimize the level of errors that arise during the work process. A transactional leader does not hesitate to correct and evaluate the performance of subordinates even though the work process has not been completed. The action is intended so that subordinates are able to work in accordance with established standards and work procedures. And in passive management by exception, a transactional leader will give colors and sanctions to his subordinates if something goes wrong in the process carried out by the subordinates concerned. However, if the work process is carried out is still running according to standards and procedures, the transactional leader does not provide any evaluation to subordinates.

B. Work Motivation

Motivation from the Latin word “movere” which means to push or move. Motivation is a process that explains the intensity, direction, and perseverance of a person to achieve victory [16]. Motivation is determined as a process that determines the intensity, direction, and persistent individual efforts to achieve goals. Motivation has psychological and managerial significance [17]. Psychological meaning, challenging motivation in a person, mental internal associated with initiation, direction, persistence, intensity, and interaction decisions. Managerial meaning, motivation, on the other hand, is related to the activities of managers and leaders in encouraging others to obtain the results requested by the organization or manager, thus encouraging this to have a relationship with the ability and performance of employees. This power is allows a person to change the direction of a particular goal [18]. Motivation can be directed to increase productivity and performance. Motivated employees are oriented towards autonomy and freedom also motivated by themselves than employees who are less motivated. Similarly, the commitment of employees with their work, if they are motivated will have a higher commitment with less motivated employees [19]. Motivation provides appropriate guidance or direction, resources, and imbalance so that they are

inspired and interested in working the way you want [20]. Motivation is a process in which the need to encourage someone to do activities that lead to the achievement of certain goals. Successful goals will be satisfied or meet these needs. There are three indicators in motivation theory as follows: First, Achievement Needs such as covering job targets, looking for ways to work, liking jobs that have been calculated, like interesting jobs and want to find the results of interesting jobs challenging and want to know the results of jobs that have been successful. Second, Affiliate Needs, prefer work that can interact with coworkers, become members of associations, activities at work make fun, happy when doing something fun and likes to help people even if not asked. Third, the Need for Power, wants people to be in line with their wishes, progress quickly, work hard to win awards, become members of several organizations and have their own vehicles for work [21]

C. Employee Performance

Performance is a record of the results produced in a particular task or activity function in a certain period [22]. Employee performance is not just information able to promotion or determination of salaries for the company. But how companies can motivate employees and develop a plan to improve the decline in performance can be avoided. Employee performance is the capacity of individuals to be efficient by achieving independent goals [23]. Employees who are very involved in their organization and show high commitment to the organization generate large profits and provide maximum performance for the benefits of their organization. Employees who feel happy and satisfied with management show a high level of motivation and thus will work better to achieve organizational goals [24]. Employee performance is considered as a employees do and what they don't do. Employee performance involves the quantity of work, attendance at work, accommodating and beneficial nature and timeliness of work [25]. Individual performance cannot be verified over employee performance and recognition also appreciation for employee performance causes discrimination between productive and unproductive employees, consequently, employee morale and productivity are strongly influenced by the effectiveness of the performance of an organization due to reward management system [26]. Employee performance is not just information to be able to do the promotion or determination of salary for the company, but how companies can motivate employees and develop a plan to improve the decline in performance can be avoided. In an organization, performance raises important interests to be used in explaining objectives, and performance standards and motivating the performance of individuals who are supported. Performance appraisal is the process by which an organization promotes the implementation of individual work. Indicators in assessing employee performance are related to employee assessments of the amount of research related to results,

employee quality of work resulting from employee perceptions of the quality of work produced and perfection of duties on employee skills and abilities, employee improvement in utilizing each resource properly, employee effort or employee self-awareness to work with full dedication and struggle even better, employee professional standards in cooperative agreements with the company wherever he works, the ability of employees in accordance with the core work and the ability of employees to use common sense, and accuracy of employees in completing assignments [27].

D. Relationship of Transactional Leadership Styles, Work Motivation and Employee Performance

A leader can motivate employees, among others, by giving employees the opportunity to participate in decision making, creating a harmonious atmosphere, and working relationships that trust and respect each other. Different leadership styles will certainly color the behavior and type of leadership so that it can bring up a task-oriented leadership style and an employee-oriented leadership style. The transactional leadership style positively influences work motivation [28]. There is a relationship between motivation and employee performance. Motivation has a positive and significant effect on employee performance [29]. While work motivation can be measured by three indicators namely individual needs, personal preferences and work environment found to have a moderate to strong correlation with the dependent variable namely employee performance. The level of effort is what is done by someone in doing a job, and the level of effort is related to the concept of motivation that is used to be able to encourage in improving employee performance. The transactional leadership style has a significant positive effect on employee performance [29]. Every leader can influence his subordinates, for example on job satisfaction and employee performance. It is realized that no leadership best applies universally to all situations and environments, situational or contingency approaches in choosing an effective leadership model to be the best alternative answer [30]. A leader must realize that human resources are the key factor that has the most influence on company productivity. Motivation is needed, if the needs are met, the employee will focus more on the duties and responsibilities so as to achieve company goals. Motivation plays the role of mediator in the relationship between leadership style and performance. Thus, we proposed four hypotheses in this research as follows:

- H₁: Transactional Leadership Style has a significant positive effect on Work Motivation*
- H₂: Work Motivation has a significant positive effect on Employee Performance*
- H₃: Transactional Leadership Style has a significant positive effect on Employee Performance*
- H₄: Transactional Leadership Style has a significant positive effect on Employee Performance through Work Motivation.*

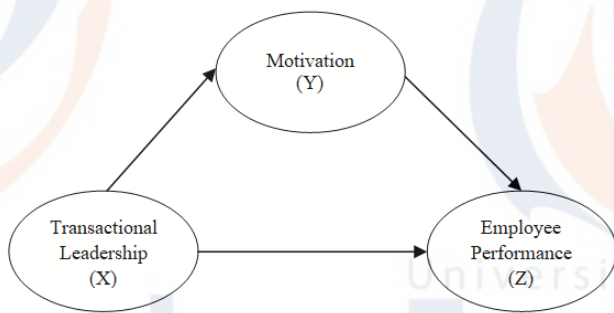


Figure 1. Research Model

E. Population and Sampling

Data were analyzed quantitatively through multivariate methods of Structural Equation Model (SEM) techniques. SEM structural equation model is a second-generation multivariate analysis technique (Second Generation) which combines factor analysis and path analysis so that it allows researchers to test and estimate simultaneously the relationship between multiple latent independent variables and multiple latent variables dependent with many indicators and testing models with mediator effects, non-linear models and measurement errors. The study was conducted at PT. Alexindo Bekasi with a 500 population and 140 correspondent questionnaires.

F. Construct Validity Test

A validity test is a test used to measure the validity or validity of a questionnaire. A validity test can be done with the confirmatory factor analysis (CFA) method (see Table I)

Table I. Confirmatory Factor Analysis

Item	Employee Performance	Transactional Leadership	Motivation	KMO	Info
KT1		0.797		0.889	Valid
KT2		0.820			Valid
KT3		0.731			Valid
KT4		0.732			Valid
MO1			0.773		Valid
MO2			0.874		Valid
MO3			0.771		Valid
KJ1	0.772				Valid
KJ2	0.688				Valid
KJ3	0.783				Valid
KJ4	0.613				Valid
KJ5	0.644				Valid
KJ6	0.691				Valid
KJ7	0.676				Valid

In this study, the Transactional Leadership Style variable has 4 items, Motivation has 3 items and Employee Performance has 7 items. The results of the calculation of the validity of all variables are known that the overall factor loading value is more than 0.5 and collects in each construct. This result is also supported by the KMO value of $0.889 > 0.5$. Thus it can be concluded that all items in this research instrument can be declared valid based on Construct Validity.

G. Construct Reliability Test

Reliability testing uses Cronbach's Alpha in Table II.

Table II. Reliability Test

Variable	Alpha Cronbrash	Item	Note
Transactional Leadership	0,831	4	Reliable
Work Motivation	0,828	3	Reliable
Employee Performance	0,875	7	Reliable

Reliability testing uses Cronbach's Alpha. If there are constructs that have a Cronbach Alpha value higher than 0.70 then the construct is declared to be reliable. Based on the results of the reliability test, it can be seen the Alpha Cronbach coefficient value for the transactional leadership variables, work motivation, and employee performance is greater than 0.7. By suggesting the theories offered, all the questions in this research variable can be relied upon. Related items in the research variables can be used for further research [31].

3. RESULT AND DISCUSSION

This study connects three independent variables to one dependent variable through intervening variables, both directly and indirectly, so in hypothesis testing the Path Analysis is used with the help of SPSS and AMOS 21 programs.

A. Description Analysis

The questionnaire was distributed over 140 correspondent. The results of the data showed that the majority of employees were male 94.3% while women 5.7%. This employees aged between 30-40 years 38.6% with a service life of more than 10 years amounting to 70%. This shows that employees are employees of productive age with secondary education and have a long work period, so they are experienced so that according to the field of work there is mostly a process of aluminum metal production, so that more physical labor is needed, which attached to male employees.

B. Goodness of Fit

Test the goodness of this model using AMOS 21 software. The results of the Goodness of Fit are shown in Table III.

Table III. Goodness of Fit Index

Goodness of Fit	Cut – off Value	Model Result	Information
χ^2 – Chi Square	Expected small value With DF=70 Table Value =90.53	88.369	Good
Probability	$\geq 0,05$	0,068	Good
Cmin/DF	≤ 2	1,262	Good
GFI	$\geq 0,90$	0,926	Good
RMSEA	$\leq 0,079$	0,043	Good
AGFI	$\geq 0,90$	0,889	Marginal
TLI	$\geq 0,95$	0,975	Good
NFI	$\geq 0,90$	0,914	Good
CFI	$> 0,94$	0,980	Good

From the analysis of the suitability of the model shows that when viewed from AGFI only the research model used is quite good (Marginal). The other test results are viewed from the Chi-square value of $88,396 < \chi^2$ table (90.53) and $p = 0.068 > 0.05$, CMIN/DF (1,262<2), RMSEA (0.043<0.08), GFI (0.926>0.9), TLI (0.975>0.95), NFI (0.914>0.9) and CFI (0.980<0.94), indicating a good model. With reference to the opinion expressed by Hair, the proposed pathway model in this study meets the Goodness of Fit assumption (a good fit model).

H. Hypothesis Test

The estimated SEM analysis results are shown in Table IV as follows:

Table IV. Hupotheses Test

Hypotheses	Std Estimate	C.R.	Z-Value (Sobel)	P	Info.
Transactional Leadership -> Motivation	0.509	4.962	-	0	Significant
Motivation -> Employee performance	0.418	4.297	-	0	Significant
Transactional Leadership -> Employee Performance	0.516	4.954	-	0	Significant
Transactional Leadership -> Motivation -> Employee Performance	0.213	-	2.9945	-	Significant

First, the results of testing with SEM AMOS analysis that is the effect of transactional leadership on work motivation can be seen that the weighted standardized regression coefficient is 0.509 and C.R is $4.942 > 2.0$, with a p-value ($0.000 < 0.05$). This means that the transactional leadership style has a direct and significant positive effect on work motivation. Thus the first hypothesis can be supported. Second, the effect of motivation on employee performance can be seen as the weighted standardized regression coefficient of 0.418 and C.R calculated from $4,297 > 2.0$, with a p-value ($0,000 < 0.05$). This means that work motivation has a direct and significant positive effect on performance. Thus the second hypothesis can be supported. Third, the effect of transactional leadership on performance can be seen as the weighted standardized regression coefficient of 0.516 and C.R calculated from $4,954 > 2.0$, with a p-value ($0,000 < 0.05$). This means that the transactional leadership style has a direct and significant positive effect on performance. Thus the third hypothesis can be supported.

To test the indirect effect of transactional leadership on employee performance through work motivation, the Sobel test was used. The results of testing the indirect effect through the SOBEL Test the effect of transactional leadership on performance through work motivation can be seen as the weighted standardized regression coefficient of 0.213 and the Z-value $2.9945 > 2.0$, with a p-value ($0.0027 < 0.05$). This means that the transactional leadership style has an indirect and significant positive effect on performance through work motivation. Thus the fourth hypothesis can be supported.

4. CONCLUSIONS

Based on the results of data analysis several conclusions can be drawn between the transactional leadership style has a positive and significant influence on employee work motivation, employee work motivation has a positive and significant motivation on employee performance, the transactional leadership style of leadership which is positive and significant on employee performance transactional leadership has an influence a positive and significant effect on employee performance with work motivation as a mediating variable. The role of company management can overcome human resources that can not be separated from factors that can affect its performance. In principle, the aim of managing human resources is to achieve mutual prosperity between the company and all employees involved with company activities. Employee work motivation is proven on performance. For this reason, efforts to increase work motivation are prioritized more on the indicator of competency requirements as the lowest indicator. The motivation is given to him in terms of efforts to increase self-confidence, provide several opportunities in workgroups, opportunities to argue and express opinions and other opportunities. Likewise with transactional leadership successfully improved on the Contingent Reward indicator which is proven to be the lowest. This can be done with consistency and a strong willingness from the leaders to both provide bonuses to the compilation of employees to achieve the specified targets, but on the other hand, the leadership still supports the company not being able to achieve the expected targets In this study using a variable one of the leadership styles, namely the transactional leadership style, so that in subsequent studies can use other leadership style variables, for example, transformational leadership style. The variables used in this study do not represent all the factors that affect employee performance, so for the next research, it is expected to use other variables or factors that improve employee performance by undertaking on a larger scale related company. How to further research is expected to provide a broader picture of the factors that enhance research and further research results can be more varied.

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