The role of job satisfaction as a mediating variable on leadership styles to employee performance

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Abstract

This research aims to analyze the influence of transformational and transactional leadership styles mediated by job satisfaction on performance. The study used a quantitative approach to testing between variables; the sample used in this study was 60 respondents at PT. Cendana Teknika Utama resulted from the dissemination of questionnaires and interviews. The sampling technique used is saturated sampling. Analyze data using Smart-PLS. The results showed that transformational leadership harmed job satisfaction, transactional leadership had a positive effect on job satisfaction, and job satisfaction had no positive effect on performance. The results of the variable's influence on job satisfaction mediation on transformational and transactional leadership are different. Job satisfaction does not become a mediation variable for the influence of transformational leadership on performance. Nevertheless, job satisfaction becomes a mediation variable between transactional leadership influence and performance. The limitation of this study is that the number of respondents is too few. Several respondents in several companies expected to add to improve the generalization of the study results of the next study.

Keywords: Leadership, transactional, transformational, job satisfaction, performance.

Abstrak


Kata kunci: Kepemimpinan, transaksional, transformasional, kepuasan kerja, kinerja.

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Introduction

The style of leadership is a compelling thing affecting job satisfaction and impacting on employee's performance. Every company always wants to improve the employee's performance to achieve the company's goals. Leadership style is always still a problem faced by the management. The management's ability to apply the leadership style to the employee determines the employee's job satisfaction, and in the end, it will give good performance to the company. Leadership can be related to differences in leadership styles in employee performance. Chammas and da Costa Hernandez (2019) state's leadership style has a more substantial effect on job satisfaction and will impact employees' performance. Each company always wants to increase the employee's performance to reach the goal's company. Leadership style still is a problem.

Job satisfaction is a positive feeling from a job that is resulted from an evaluation of its characteristics (Robbins & Judge, 2007). Indicators to increase job satisfaction are loyalty, ability, honesty, creativity, leadership, salary levels, indirect job satisfaction, and the work environment (Hasibuan, 2016).

Performance is the result of a process referred to and measured over a certain period based on pre-determined terms or agreements (Edison et al., 2016). Indicators that can affect performance are effectiveness and efficiency, authority and responsibility, discipline, and initiative (Sutrisno, 2015). Supriyanto and Troena (2012) found a positive influence between transformational leadership and performance through employee job satisfaction. Therefore, transformational leadership and job satisfaction theoretically have a positive relationship with the employee's performance.

Another factor that affects performance is transactional leadership. Oktora et al. (2018) found that when reinforcement is contingent, followers will show improved performance and satisfaction. The followers will believe that achieving the target will give them the desired reward. Advani (2015) researched that there is a positive influence between transactional leadership and employee performance.

Performance becomes an essential thing in the company because it is a measuring tool for employees to carry out their performance. Therefore, leadership factors and job satisfaction are important to note for the company's leadership so that employees can do their job well and under the company's goals. Another research supports that transformational leadership affects job satisfaction. Organizational commitment is influencing by transformational leadership mediated by job satisfaction (Maharani et al., 2017). This research is support by Griffith (2004) that transformational leadership and job satisfaction on performance have a significant effect. It means the higher the level of leadership transformational, the higher the job satisfaction of an employee.

The relationship between transactional leadership and performance is also supporting by Bycio et al. (1995) that transactional leadership has a significant effect on performance. Moreover, the relationship between job satisfaction and performance supported by research from Darma and Supriyanto (2017) found a positive relationship between job satisfaction and employee performance. It means that the higher level of transactional leadership of an employee, the higher the employee's performance. Similarly, the performance will be higher if an employee's job satisfaction is increasing.
Some studies focus on transactional leadership on employee's performance. Paracha et al. (2012) found a significant influence between transactional leadership and employee performance. On the other hand, Awamleh and Fernandes (2005) found that there is no positive influence between transactional leadership and employee performance. Sani and Maharani (2013) found that job satisfaction has no positive effect on employee's performance. This finding explains that other things cause comfort and satisfaction to someone in the workplace, among others: the challenge of the job, the implementation of a fair reward system, environmental conditions, and attitudes of colleagues. The above study still has a contradiction, so it is interesting to review.

Maharani et al. (2017) found a significant relationship between transformational leadership towards OCB mediated by job satisfaction and organizational commitment. Using path analysis, Darma and Supriyanto (2017) conduct research, resulting in a positive and significant relationship between compensation and employee performance mediated by job satisfaction. Transformational leadership has a positive relationship with job satisfaction, and job satisfaction has a positive relationship with the employee’s performance. Job satisfaction becomes the mediation variable between transformational and transactional leadership toward the employee's performance. Based on the above contradiction, this study intends to examine the role of job satisfaction as mediating the influence of transformational and transactional leadership on performance.

**Transformational leadership**

Transformational leadership is a leader who motivates his followers to work toward a goal, not for short-term personal gain, and to achieve self-actualization, not for safety feeling (Bass, 1990). This leadership is regarding leadership that requires motivating subordinates to be willing to work for high-level goals that are perceived to go beyond personal interests (Bass, 1990). Bass and Avolio (1994) Offers several indicators of transformational leadership. Among them are idealized influence, inspirational motivation, intellectual stimulation, and individual consideration.

Another review by Eliyana and Ma'arif (2019) explains that transformational leadership theory plays a role in simulating perceptions from the intellectual side. Leaders should make an individual's perception feel supported and cared for through inspiration, motivation, and charisma. Another definition put forward by Mekpor and Dartey-Baah (2017) states that the transformational leadership style emphasizes monitoring, organizing, assigning tasks, and controlling each individual to create higher performance.

Shafi et al. (2020) argued that transformational leadership theory has been well developed and significantly contributed to organizations' science. Several researchers have examined the various consequences of transformational leadership on employees, such as creativity, commitment, and performance. This study's output can increase knowledge about employee management for creativity and innovation (Shafi et al., 2020). Transformational leadership can control the internal and external changes of every individual in the organization. These changes are needed to achieve organizational goals. Organizational goals can achieve when leaders can motivate employees to work longer than their working hours so that production volume can increase (Eliyana & Ma'arif, 2019).

**Transactional leadership**

Transactional leadership is a type of leadership that helps followers identify
what needs to achieve the desired outcomes (Bass & Avolio, 1994). Bass and Avolio (1994) propose several indicators of transactional leadership, contingent-rewards, management based on exceptions (active), management based on exceptions (passive), and at will. Another type of leader is the transactional leader; he helps followers identify what must achieve to achieve the desired results (higher quality output, increased sales, or decreased production costs). In helping followers identify what to do, the leader must consider the person's self-concept and self-esteem. The transactional approach uses the path-goal concept as part of the explanation and framework). Research examining the relationship between transactional leadership and job satisfaction Yavirach (2015), Folakemi et al. (2016) found a significant influence between transactional leadership and employee job satisfaction.

Transactional leadership can be useful when a leader can focus on achieving goals. A transactional leader usually uses the carrot and stick approach to achieve their goals (Asrar-ul-Haq & Kuchinke, 2016). Employees will get an award when they have completed their task and get a penalty when they cannot complete a leader's task. Thus, a transactional leader is more concerned with fulfilling the duties and performance of an employee. That is why they use both positive and negative approaches to achieve the desired results. Employees led by transactional leaders cannot use innovative ways to complete their tasks (Smith et al., 2016). Smith et al. (2016) also explained that transactional leaders try to solve problems before they occur, and on the other hand, transactional leaders will take action when problems occur.

**Job satisfaction**

Job satisfaction is a positive feeling for work resulting from evaluating its characteristics. (Robbins & Judge, 2007). Job satisfaction results from employees' perceptions of how well a person's job delivers everything necessary through his work (Luthans, 2006). According to Luthans (2006), job satisfaction is employees' attitude about their job that can be assessed as total satisfaction or with the aspect of individual satisfaction. Put forward some indicators of job satisfaction, satisfied with the work itself, satisfied with the payment system, satisfied with the coworker's attitude, and satisfied with the employer. Research that examines the relationship between job satisfaction and employee performance has been conducting by Triwahyuni and Ekowati (2017) and Darma and Supriyanto (2017), which states a significant influence between job satisfaction and employee performance.

Another review by Eliyana and Ma'arif (2019) explains that job satisfaction is defining as the extent to which employees are satisfied with their job. Job satisfaction can occur when individuals find satisfaction based on their workplace and conditions that can motivate them to work better. Eliyana and Ma'arif (2019) stated that job satisfaction is a behavior that can affect employee performance as long as its achievement is appreciated and considered. Theoretically, job satisfaction has a relationship with performance. An organization that has employees with high job satisfaction tends to be more effective and productive. Also, employees with high job satisfaction can affect lower turnover rates.

**Performance**

Performance defined the result of the efforts of a person with his ability in certain conditions. Performance from a job in quality and quantity achieved in performing his duties under the responsibilities given to him (Mangkunegara, 2016). Timpe (2002) argues that performance results from the linkage between effort, ability, and perception of assigned tasks. According to
Hasibuan (2016), performance results from a person performing tasks assigned to him based on skills, experience, ability, and time. Mangkunegara (2016) put forward several performance indicators. Among other things are quantity, quality, and timeliness.

Performance is a stage in the achievement of completing a specific job (Eliyana et al., 2019). This statement means that performance is the achievement of an individual from the tasks assigned by the organization. Performance in an organization can significantly affect three major factors: organizational support, management capability, or effectiveness in each unit in the organization. Another explanation is that performance is related to a person’s work and achievement who contributes to organizational development.

Shafi et al. (2020) state that performance results from organizations expect from their employees. The leadership factor is one of the variables that can have a strong influence on employee performance. Many studies have found that transformational leadership and transactional leadership can substantially affect improving performance (Eliyana & Ma’arif, 2019; Smith et al., 2016). A strong leadership style in an organization can help achieve goals and improve organizational performance. Performance standards have differences in each organization. Types of performance include the volume of work accomplished, the completion time, and the job's accuracy.

**Method**

This research uses the quantitative method. This study does not test the hypothesis, but it only predicts the model of a path diagram. Explanatory research does not need to test the variable hypothesis. This research is conducting at PT. Cendana Teknika Utama (PT. CTU), one of the private IT companies in Indonesia. The population in this research is active employees of PT. CTU. They consist of the marketing department, business developer, MD Pulsa, and information and technology. This study uses saturated samples, or all populations are studied so that the samples in this study are 60 (Sani & Maharani, 2013). This study uses four variables: transformational leadership, transactional leadership, job satisfaction, and employee performance. Transformational leadership uses indicators of idealized influence, inspirational motivation, intellectual stimulation, and individual consideration. Transactional leadership uses contingent-rewards indicators, management based on exceptions (active), management based on exceptions (passive), and at will. Job satisfaction uses indicators of being satisfied with the work itself, satisfied with the payment system, satisfied with the coworker's attitude, and satisfied with the employer. Employee performance uses indicators of quantity, quality, and timeliness. The research data used are primary and secondary. The research instrument is a questionnaire. The scale used in this study is a Likert scale using numbers 1-5. A questionnaire is one way to directly collect data in a given statement format to be filled in and returned. The statistical analysis used is structural equation modeling (SEM) using the SmartPLS 3.0 program’s help.

**Result**

PLS is a variant based on structural equation modeling (SEM) that can tune the measurement model results and structural model tests. The measurement model is using for composite reliability, indicator loading, convergent validity, and discriminant validity. Regarding the
Based on the calculation of composite reliability above, it has met the requirements, namely > 0.70, which means that the instrument used in this study is reliable.

Based on the calculation results, it can conclude that all constructs meet the criteria reliably. The AVE value indicates this above 0.50 as the recommended criteria.

### Table 1. Composite Reliability

| Composite Reliability |  
|-----------------------|------------------|
| Kepuasan Kerja       | 0.988            |
| Kinerja              | 0.962            |
| Transaksional        | 0.974            |
| Transformasional     | 0.923            |

Source: Smart-PLS output

### Table 2. Convergent Validity (AVE)

<table>
<thead>
<tr>
<th>Average Variance Extracted (AVE)</th>
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</thead>
<tbody>
<tr>
<td>Kepuasan Kerja</td>
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<tr>
<td>Kinerja</td>
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<tr>
<td>Transaksional</td>
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<tr>
<td>Transformasional</td>
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</tbody>
</table>

Source: Smart-PLS output

The primary function of the path diagram visualizes the relationship between variables. This diagram allows researchers to see the model thoroughly.

**Transformational leadership**

Reflective indicators measure the transformational leadership variable. Table 3 shows the result of the transformational leadership indicator factor loading.

Transformational leadership formed from 4 indicators, namely idealized influenced, Inspirational motivation, intellectual motivation, and individualized consideration. The results of the analysis indicate that there are two insignificant indicators, namely X1.2 and X1.4. Therefore, indicators used for the next testing are only two indicators, namely X1.1 and X1.3. Based on Table 3, the highest value of the loading factor is 0.946 and 0.905. This result shows that idealized influence is the most dominant indicator to form transformational leadership. This finding means that the vital thing to reflect transformational leadership is idealized influenced.

The employees of PT. CTU has felt transformational leadership through idealized influences that are leaders’ ability to grow an optimistic attitude, a symbol of success, fostering self-confidence, encouraging, motivating, inspiring, solving problems, having new ideas, creating creativity, giving rewards, giving attention, and providing moral support.

**Transactional Leadership**

Reflective indicators measure transactional leadership variables. Table 3
shows the loading factor of transactional leadership.

Five indicators form transactional leadership: contingent reward, management based on exceptions (MBE) (active), MBE (passive), and at will. In this test, only three factors meet the requirements, namely X1.1, X1.2, and X1.3. For X2.4, it is not eligible because it has a load factor value below 0.5, so the indicator is not including in the next testing stage. Based on the above table 3, these four indicators significantly reflect and form job satisfaction variables. The p-value <0.50. From the highest loading factor value to get the value of 0.986, indicating that the indicator satisfied with the coworkers' attitude is the most dominant informing and reflecting the variable of job satisfaction. The employees of PT. CTU has a feeling of satisfaction with colleagues' attitude by the high help of colleagues and support work. Another strong indicator to measure job satisfaction is the indicator that is satisfied with the work itself with the loading factor value of 0.980, the indicator that is satisfied to the superior with the loading factor value of 0.975, and the indicator that is satisfied with the

### Job Satisfaction

The reflective indicator measured the job satisfaction variable. Table 3 shows the loading factor in job satisfaction.
payment system with the loading factor value of 0.966.

**Performance**

Reflective indicators measure performance variables. Three indicators form performance in this research; the three indicators reflect and form a performance variable. The three indicators are quantity, quality, and timeliness. Findings from the analysis show that these three indicators significantly form the performance with a p-value <0.05. Furthermore, timelines become the dominant indicator with the value of the loading factor up to 0.964. This result means that the timeliness indicates the main thing to reflect on performance. This description provides an understanding that to become an employee at PT. CTU is required to prioritize punctuality in its performance. The quantity indicator with loading factor value equal to 0.946, and the quality indicator with loading factor value 0.925.

Differences mean value and performance loading factors value show that employee's perceptions of performance tend to quality. Simultaneously, the concept of research phenomenon seen from the loading factor value indicates that the dominant indicator is the timeliness. This result shows that the factors to shape the performance is an indicator of timeliness. The time density indicator determines performance or not, seen from the result of the mean value indicates that employees of PT have not entirely done the punctuality. PT. CTU performance is coloring with quality. For future performance improvements, timeliness must continuously enhance through on-time work and timely completion of work.

While the structural model used for causality test (hypothesis test by predict model). Figure 1 shows the model.

**Discussion**

**The Influence of Transformational Leadership on Job Satisfaction**

Inner weight model analysis shows that transformational leadership (X1) has no positive effect on job satisfaction (Y1). This result proved by the coefficient value of path -0.110 and p-value 0.005 <0.05. If the coefficient value is negative, then it shows the relationship of both negative variables. This means the higher the leadership level of a leader, the transformational job satisfaction will decrease.

![Figure 1: Path Chart](image-url)
The result shows that transformational leadership has a significant negative effect on job satisfaction. This study does not support the result of research from Griffith (2004), who found that there is a positive relationship between transformational leadership and job satisfaction.

The Effect of Transactional Leadership on Job Satisfaction

The result of the inner weight model analysis shows that transactional leadership (X2) positively affects job satisfaction (Y1). This result proved the coefficient value of 0.983 paths with a p-value 0.000. If the coefficient value is positive, then the relationship of both variables is positive. It means the higher the leadership level transactional of leader, the job satisfaction of an employee will increase.

The result shows that transactional leadership has a positive effect on job satisfaction. These findings support Oktora et al. (2018) and Folakemi et al. (2016) that transformational leadership has a positive and significant impact on job satisfaction. The higher the leadership transactional of the leader, the employee's job satisfaction will increase.

The Influence of Job Satisfaction on Performance

The inner weight model analysis result shows that job satisfaction (Y1) has no direct effect on performance (Y2). This is evidenced by the path coefficient value of 0.317 <0.70 and p-value 0.001 <0.05. Suppose the value of the coefficient is positive. In that case, the relationship between the two variables is positive. However, in this case, the relationship between the two variables is not valid because the coefficient value is below the standard that is 0.70. It means that increasing employee job satisfaction will decrease the performance of an employee. The result shows that job satisfaction has no direct effect on performance. This finding rejects the research of Darma and Supriyanto (2017), who found that there is a direct influence between job satisfaction and performance.

The Influence of Transformational Leadership on Performance through Job Satisfaction

The mediation test results are performed using the SmartPLS application and use the comparison between the measurement model results using the mediation variables and without using the mediation variables. Furthermore, the results get the value -0.007 <0.70; if the coefficient value is negative, then the job satisfaction variable does not mediate transformational leadership's influence on performance. So, the higher transformational leadership will not affect job satisfaction, and job satisfaction will not affect the performance.

This study does not support the result of research by (Supriyanto & Troena, 2012) found there is a positive relationship between transformational leadership to performance and mediated by job satisfaction. The result shows that job satisfaction will not increase despite high transformational leadership. PT. CTU Malang is a technology-based company. It causes employees to have high targets. Employees perform all their duties based on Standard Operating Procedure (SOP) that the company has set and only received little motivation and leadership direction. Moreover, the company embraces the machine bureaucracy to achieve all targets, and employees will be paid.

The Effect of Transactional Leadership on Performance through Job Satisfaction

The result of the mediation test shows the result, with a value of 0.979> 0.70. Because the value of coefficients marks positive, then job satisfaction becomes the mediation variable between the influence of transactional leadership and performance. The results of this study support research conducted by Paracha et
They found a positive relationship between transactional leadership on performance and job satisfaction mediated by both variables. This effect means that the higher the leader's leadership transactional, the more it will increase an employee's job satisfaction and improve the employee's performance.

Conclusion

This study has five conclusions. First, increasing transformational leadership will not affect job satisfaction—the employees of PT. CTU feels very little job satisfaction influenced by the transformational leadership of a boss because of PT. CTU is an IT company with a target quantity and high quality in the production process, so they feel satisfaction mostly comes from various other factors.

Second, increasing transactional leadership will affect employee job satisfaction. Increasing the leadership of transactions owned by superiors will also increase the satisfaction felt by employees of PT. CTU. In transactional leadership, there are contingent rewards that can make employees more satisfied in working if their performance result is awarded. Third, increasing job satisfaction will influence an employee's performance. When employees are satisfied with the work given and assigned under the salary received, they will have good performance, including quantity, quality, and timeliness in the production process.

Fourth, increasing performance is not affected by transformational leadership. This is because the boss cannot provide inspiration, motivation, intellectual stimulation, and individual employee considerations. Then both variables are mediated by job satisfaction. This cannot improve performance because an employee's job satisfaction is not always based on good transformational leadership.

Fifth, increasing employee performance is influenced by transactional leadership. This is because the boss can provide contingent rewards, management based on exceptions (active and passive). Then both variables are mediated by job satisfaction. This can improve performance because an employee's job satisfaction derived from transactional leadership is not transformational at PT. CTU Malang.

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