

Mediating Role of Organizational Commitment in Supporting Transformational Leadership and The Quality of Employee Performance at PT Bintang Krakatau Mandiri

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Abstract. Using the correct leadership style is one method to boost staff performance. The intent of the investigation is to investigate the impact of transformational leadership on employee performance through organizational commitment as an intervening factor. The study was conducted on 81 employees of PT Bintang Krakatau Mandiri (not including the director and CEO). Data analysis using the SEM-PLS method. The hypothesis's findings show that change management has a substantial beneficial effect on organizational commitment and personnel performance. The mediation test results show that organizational commitment has no effect on the effect of transformational leadership strategy on employee performance.

Keywords: Transformational Leadership, Employee Performance, Organizational Commitment.

1 Introduction

Improving employee performance is one of the most fundamental issues that many businesses encounter. Performance, defined as the degree of success of employees during a specific period in completing work, necessitates the seriousness and responsibility of employees, which are, of course, affected in their execution by various factors inside and outside to the employee, such as leadership in the company, working environment conditions, and even compensation [1].

Leadership is referred to as one of the dominant factors influencing the success of human resource management, with short-term targets can affect work behavior, and company performance as a long-term target. This circumstance necessitates the presence of leaders who can motivate their staff and provide them with opportunities to grow in order to foresee obstacles and changing company dynamics. In this study, the leadership style referred to is transformational leadership or what is often termed the "*Fours I's*" including individual influence, inspirational motivation, intellectual stimulation, and individual considerations [2], [3].

PT Bintang Krakatau Mandiri, hereinafter referred to as PT BKM, is a construction company that always tries to prioritize excellent service to clients by meeting client needs. The performance of BKM personnel is critical to supporting operations and the execution of the company's goals and target.

PT BKM is known to conduct employee assessments every 1 year to evaluate employee work performance. Based on field findings, it is known that there have been problems with the performance of PT BKM employees in 2021, as evidenced by unsatisfactory performance results on several indicators including assessment of mastery, maintenance and operation of

equipment according to the scope of main tasks, problem-solving ability, cooperation and leadership, and skills in training. The results of this unsatisfactory employee assessment show that PT BKM requires a leadership role with an appropriate style that helps employees produce maximum performance in the company.

Research Khan, et al., states transformational leadership styles are more flexible in increasing employee creativity and autonomy therefore employee performance increases [4]. Mubarak and Darmanto's research shows that transformative leadership styles have a direct benefit on employee performance [5]. The greater the type of leadership that involves attempts to improve the organization, the better employee performance will be. In their study, Aqmarina et al. discovered that leadership had a negative and minor effect on worker output [6]. Given the findings of the study by Balansa et al., transformative leadership has a detrimental impact on staff performance [2].

Despite extensive research, outcomes of past studies reveal that there are still variances in the influence of leadership styles on employee performance. To bridge the gap in the study, it employs organizational commitment as an intervening factor, as Mubarak and Darmanto state that organizational commitment can be an intervening variable that strengthens a variety of leadership styles, resulting in improved employee performance [5]. To increase staff performance at PT BKM, it is vital to apply a transformational leadership style that is consistent with the framework of organizational commitments.

2 Theoretical Framework

Transformational Leadership Style

Leadership style demonstrates a person's capacity to influence people in the context of executive authority [7]. Transformational leadership is initially shown through three behaviors, namely charisma, individual and intellectual simulation. However, in its development, charisma behavior was then divided into two, namely the idealization of influence and inspirational motivation. Thus transformational leadership is expected to increase the awareness of followers by attracting ideals and values such as justice, peace and equality [8].

According to Luthans, transformational leadership styles bring circumstances towards high performance in organizations that face the demands of renewal and change [9]. Transformational leadership is more concerned with the followers' principles of morality in its efforts to raise their knowledge of moral problems. Transformational leadership is defined as a leader who pays special attention to his followers' difficulties and the development needs of each of them by encouraging and motivating them to attain his goals [6].

Organizational Commitment

As defined by Mathis and Jackson, organizational commitment is the level to which employees agree with the organization's aims and will stay or remain with the organization. [10]. Meanwhile, organizational commitment, as defined by Robbins, is a circumstance in which an employee takes sides in a specific organization and its aspirations and objectives to remain a part of that organization [7]. This has consequences once an employee gets presented with a choice in the outside world; the employee will tend to have a mindset similar to the firm he works for and will implicitly demonstrate his preference for the benefits of the company he works for.

Employee Performance

Performance is the outcome of tasks that can be accomplished by a person or group of people in a company that complies with their respective authorities and responsibilities in order to achieve the goals of the organization in question, ethically, without breaking any rules, and line with morals and ethical standards [11]. Work refers to what employees do or don't do [10]. Unsatisfactory performance may suggest that there are flaws in the job process. Employee performance has evolved into an accepted concept of organizational efficiency that is both a component of the organization and a component of the employee based on set guidelines and requirements [12].

Framework Model

Previous research looked into the impact of transformational leadership types on employee performance, utilizing organizational commitment as an intervening factor. Employee performance transformational leadership has a close relationship with the analogy of high employee performance supported by employee knowledge, skills, abilities, attitudes, and behaviors in supporting the achievement of company goals, it is necessary to be motivated by transformational leaders. [3], [13], and [14] found a strong favorable relationship between transformative leadership approaches and employee performance.

Leadership should be adaptable in order to recognize all of the potentials that individuals possess as well as their diverse issues. The CEO who follows this method can apply all of the company's regulations and policies and allocate roles and responsibilities correctly. This is backed up by research [15] It demonstrates that transformational leadership techniques have a strong beneficial impact on organizational commitment [15].

Employees that have a strong commitment to the company tend to perform more efficiently in accordance with what the firm expects. This means that dedication is not only passive loyalty but also a proactive connection with the work organization with the objective of providing all efforts for the organization's success. Based on to study, organizational dedication has a considerable positive impact on staff performance [16].

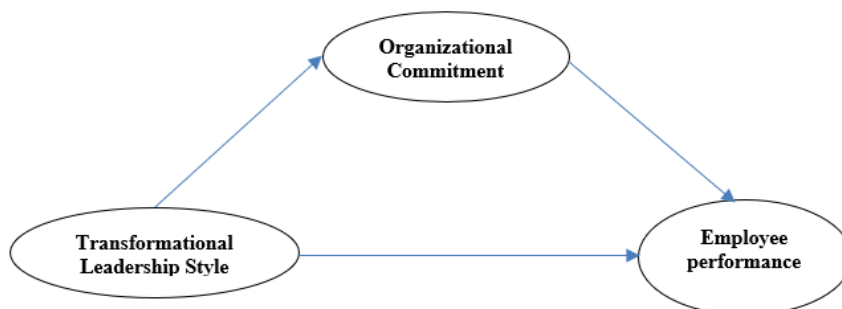


Fig 1. Framework Model

3 Methods

Pursuant to the formulation of the hypothesis, the research used in this study is explanatory research, which tries to explain the causal relationship between the style of transformational

leadership and organizational commitment to employee performance [17]. A rating interval scale of 1 to 10 is used to assess transformational leadership style, organizational commitment, and personnel performance. The participants in this study were all 81 workers of PT BKM (except the Director and CEO). Because the number is less than 100, all employees are used as a sample (total sampling) in this study. A survey was used to collect the data for the study, which was then analyzed using SEM-PLS.

4 Result and Discussion

Outer Model Test Results

The outer model test is carried out to test whether all indicators in each research variable have been declared valid and reliable to be used in the hypothesis testing process. The preliminary outer model evaluation results are as follows:

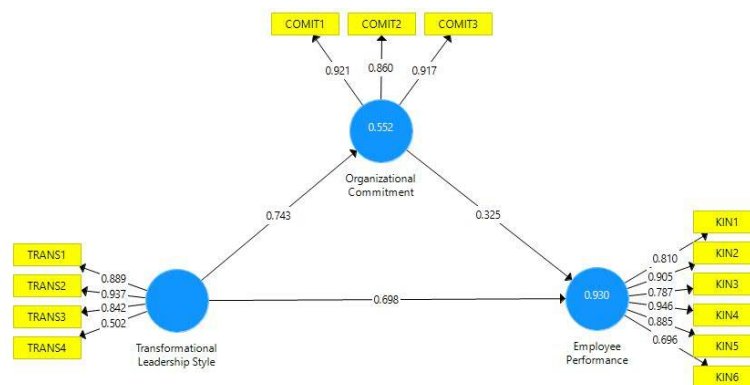


Fig. 2 Initial Outer Model Test Results
Source: data processing output, 2022.

With regard to the data in Figure 2, the variable indicator of transformational leadership style has a loading factor ranging from 0.502 to 0.937. The loading factor for the indication on the organizational commitment variable looks to be 0.860 to 0.921. Also, the loading factor value for the indication of the employee performance variable ranged from 0.696 to 0.946. This study employs a critical limit of a loading factor value greater than 0.7. Thus, two indicators must be discarded since their loading factor value is less than the essential limit: TRANS4 with a loading factor of 0.502 and KIN6 with a loading factor of 0.696. After deleting the two indicators from the model, the final outer model test results are as follows:

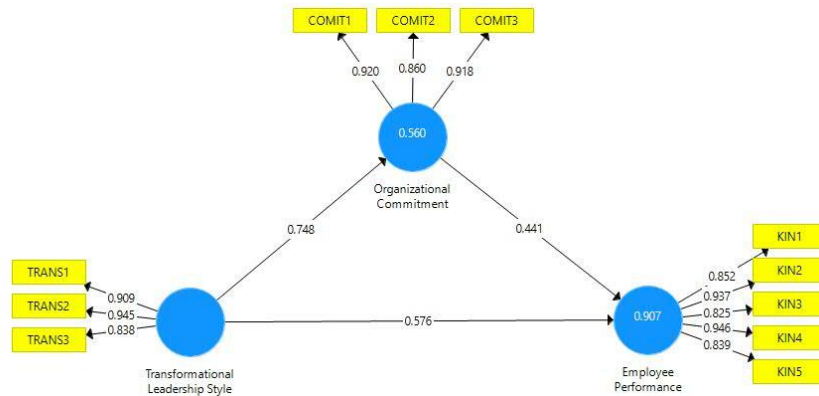


Fig. 3 Final Outer Model Test Results
Source: data processing output, 2022.

The outputs of the final outer model test, as shown in Figure 3, demonstrate that there are 18 indicators that are pronounced valid and subsequently used for hypothesis testing. These findings further demonstrate the importance of construct reliability and validity, particularly:

Table 2. Construct Reliability and Validity

Variable	Composite Reliability	Cronbach Alpha	AVE
Transformational leadership style	0.926	0.883	0.807
Organizational commitment	0.927	0.883	0.809
Employee performance	0.946	0.927	0.777

Source: processed data, 2022.

In the current investigation, the crucial value for assessing composite reliability, Cronbach alpha, and AVE was greater than 0.7. According to the results in Table 4, the lowest research variable, transformational leadership style, received a composite reliability score of 0.926. Transformational leadership style and organizational commitment had the lowest Cronbach alpha rating of 0.883. The employee performance variable produces the lowest AVE value of 0.777. The results presented suggest that all research variables matched the construct reliability and discriminant validity standards.

Inner Model Test Results

After testing the outer model and determining that all indicators and research variables are valid and reliable, the inner model must be tested to ascertain the state of the relationship among research variables mentioned in the hypothesis. The path coefficient and R Square values show the results of this research model's inner test:

Table 3. Inner Model Test Results

Hypothesis	Path Coefficient
1 Transformational leadership style → employee performance	0.576
2 Transformational leadership style → organizational commitment	0.748
3 Organizational commitment → employee performance	0.441

R Square
 Organizational commitment= 0.560
 Employee performance= 0.907

Source: processed data, 2022.

Based on Table 3 above, it is known that:

- Transformational management style The route coefficient value for employee performance is 0.576. These findings reveal that transformative leadership has a 0.576 unit beneficial impact on employee performance. If the value of the transformational leadership style rises by a single unit, employee performance rises by 0.336 units, and vice versa. →
- Transformational leadership style based on the path coefficient 0.748 represents organizational commitment. These findings suggest that transformational leadership has a positive influence on organizational commitment of 0.748 units. If the value of transformational leadership rises by one unit, organizational commitment rises by 0.748 units, and vice versa. →
- Organizational dedication The performance of workers received a path coefficient of 0.441, indicating that organizational commitment has a 0.441 unit positive influence on employee performance. If the value of one unit of organizational commitment rises, employee performance rises by 0.172 unit, and vice versa. →
- R Square's organizational commitment is 0.560, indicating that transformational leadership has a 56% (0.560 x 100%) effect on organizational commitment. The remaining 44% is influenced by variables that were not investigated. While the calculated R Square value for employee performance is 0.907, it demonstrates that transformational leadership style and organizational commitment can influence employee performance by 90.7% (0.907 x 100%). The balance of 9.3% is affected by variables that were not investigated.

Results Hypothesis test

The hypothesis is verified by comparing the t statistical values and p values obtained from the process of bootstrapping to the t table value of 1.960 at a significance level of 5% (one-sided test).

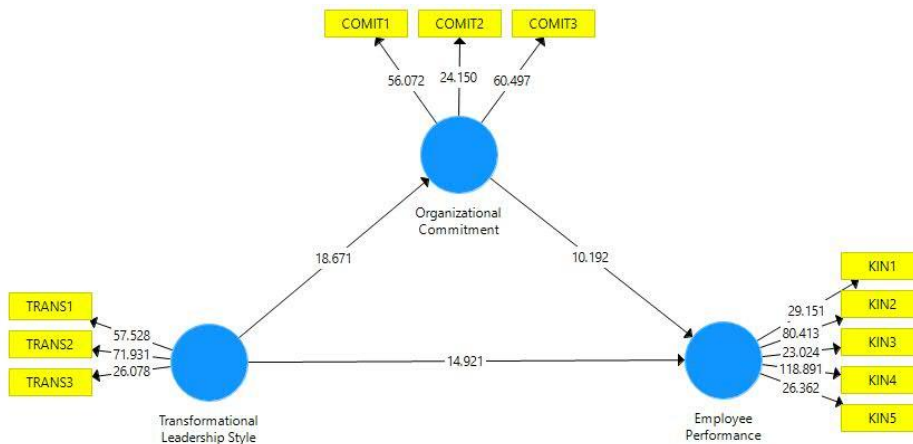


Fig. 4 Final Inner Model Test Results
 Source: data processing output, 2022.

Pursuant to the data, the results of testing hypothesis 1 acquired the t statistic value (14.921) > t table (1.960); p-value (0.000) sig (0.05), indicating that transformational leadership has a substantial positive effect on employee performance. As a result, H1 is claimed to have been received. The path coefficient value found is 0.576, indicating that the transformational leadership style has a 0.576 unit effect on employee performance. This outcome is consistent with the findings of Maabuat and Pambudi et al., researchers discovered a strong and beneficial influence of transformational leadership style on employee performance [13], [14]. Other studies that are in line are Buil et al which also show that high transformational leadership can have a positive influence on employee performance [3]. The application of the transformational leadership style in the company can provide strong energy in facing the demands of renewal and changing times that continue to develop so that finally they are able to maintain consistency in employee performance so that they remain excellent and efficient.

Responding to the data, the results of testing hypothesis 2 produced a t-statistic value (18.671) > the t table (1.960); p-value (0.000) sig (0.05), indicating that transformational leadership has a substantial positive effect on organizational commitment. As an outcome, the data indicate that H2 was received. The estimated path coefficient of 0.748 also indicates that the transformational leadership style has a 0.748 unit influence on commitment from the organization. According to the findings of this study, transformational leadership has a considerable beneficial effect on organizational commitment [15]. Paryanto and Porter did comparable experiments and discovered that the influence of transformational leadership style on organizational commitment is beneficial and significant. Transformational leadership inspires others to see the future with optimism, which strengthens employee self-involve in the organization [19], [20].

Based on the data, it is known that the results of testing hypothesis 3 acquired the t statistic values (10.192) > the t table (1.960); p-value (0.000) sig (0.05), showing that organizational commitment has a substantial positive effect on employee performance. As a result, it is possible to conclude that H3 was received. The path coefficient of 0.441 indicates that organizational commitment can affect employee performance by 0.441 units. The outcomes of this investigation are consistent with previous research indicating that organizational commitment has a favorable effect on employee performance. Rakhmawati and Darmanto's research; Jannah's research; and Mubarak and Darmanto's research are also in line because they indicate the considerable influence of organizational commitment on employee performance [21] [5], [16]. Employees who are incredibly committed are more liable for their work than employees who are not devoted, hence employees who are committed will perform maximally as required by the organization.

Mediation Test Results

The mediation test was carried out to see if transformational leadership has an indirect effect on employee performance via organizational commitment as an intervening variable.. From the results obtained from the mediation test, the coefficient of indirect influence of transformational leadership style on employee performance is 0.330, with a t statistic value (8.311) > t table (1.960) and p-value (0.000) (0.05). However, to demonstrate the size of the mediating effect of organizational commitment that happens, the VAF value is calculated as follows:

Direct effect (a) : 0.576

Indirect effect (b)	: 0.330
Total effect (c)	: 0.906
VAF (b/c)	: 0.364

The VAF test findings on the mediation test 1 were 36.4% ($0.364 \times 100\%$) > 25%, demonstrating that organizational commitment has no partial mediating influence on the impact of transformational leadership orientation on employee performance. This is so because the direct influence of transformational leadership style on employee performance has a coefficient of 0.336, which is bigger than the indirect effect, which has a coefficient of 0.330 after accounting for the intervening variable of organizational commitment. Thus, transformational leadership has a greater immediate effect on employee performance than the intermediate variable of organizational commitment.

5 Conclusions

Given the outcome of the research, we can conclude that transformational leadership has a good and significant impact on employee performance. The use of a transformational leadership style can aid in the achievement of effective and efficient job outputs. This study investigates who can demonstrate a favorable and significant influence of transformational leadership style on organizational commitment. Employees have a strong sense of connection and dedication to the organization as a result of the high transformational leadership style. Organizational commitment has a favorable and significant impact on employee performance. Employees benefit from high organizational commitment to achieving maximum job achievements.

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