



Conceptual Model of Transformational Leadership Style on Employee Performance

Hitler P. Sigalingging; Ahmad Azmy

Master Program in Management, Faculty of Economy and Business, Paramadina University, Indonesia

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Abstract

As the business climate changes increasingly rapidly after the Covid era in several industrial companies, organizational leadership is expected to become more adaptive to change. Companies are required to be able to respond to challenges by presenting leaders and transformational leadership (digital leaders) to keep up with changing times. The application of the conceptual model of transformational leadership in the digital era is a necessity for organizations, especially companies in diverse industries. This research aims to understand how the conceptual model of transformational leadership becomes more sustainable and optimal in improving employee performance. The research process uses a literature study approach and is carried out comprehensively. Several literatures state that transformational leadership has a significant and positive direct effect on employee performance. This research shows that the transformational leadership type will increase the likelihood of success in achieving the company's productivity targets

Keywords: *Transformational Leadership; Employee Performance*

1. Introduction

Employee performance is one of the key factors that determines the success of an organization. An important element in improving employee performance is the leader and an appropriate leadership style in achieving goals. Good cooperation is created because there is a relationship between superiors and employees in a harmonious situation (Prayudi, 2020). During the Covid-19 pandemic, employees worked WFH (Work From Home) is a company innovation where employees continue to work from home (Fikri & Prastyani, 2021). According to (Atmojo & Pradana, 2019), strong motivation is needed so that employee performance remains good. The Covid-19 pandemic has forced companies to continue operating by making changes to work rules.

In global competition characterized by advances in digital technology, leaders play an important role in directing and changing individuals to achieve organizational goals (Baskoro & Irwansyah, 2015). Organizational management cannot be separated from the role of digitalization. Building digital transformation in an organization requires the support of leadership resources (Triyana, 2022). Survey results conducted by Fujitsu's Global Digital Transformation Survey (Fujitsu Future Insights, 2021) show

that income increased in 2020 compared to the previous year for as many as 69% of online organization business leaders. And conversely, there was a decrease in income from as many as 53% of organizations that were offline. The increase in revenue was due to six organizational capabilities that are important in digital transformation, namely leadership, value of data, agility culture, ecosystem, empowered people, and business integration. Organizational leadership issues have impacts on organizations such as improving customer experience, increasing business agility, greater efficiency and cost reduction, more competitive products or services, increasing income, transforming business models, increasing customer satisfaction (Triyana, 2022).

A transformational leadership style is needed where the leader can motivate the vision and environment for employees to achieve their expectations. Transformational leadership increases the motivation and performance of the people they lead and they feel trust, admiration, loyalty and respect so they are motivated to do more than what is expected (Eliyana et al., 2019).

Positively increasing employee performance is directly proportional to the implementation of a transformational leadership style for the organization and is in line with the hierarchy of human needs. The ERG motivation theory put forward by Clayton Alderter (Alderter in Mangkunegara, 2005) in line with Maslow's theory. Human needs according to Maslow's theory consist of three main things, namely basic needs (existence), connectedness (relatedness) and growth (growth). Growth Needs are the highest hierarchy where employees are expected to increase their performance and experience development of abilities and skills at work and contribute to meeting organizational goals. In line with this, transformational leadership needs to be implemented by company management (leaders) by providing opportunities for employees to develop themselves, improve their personalities, renew themselves, use all their skills and abilities as well as their potential (Prayudi, 2020).

In the industrial sector, the application of a transformational leadership style shows increased optimal employee performance (Ángeles López-Cabarcos et al., 2022). Transformational leadership is described as a leadership style that is able to arouse or motivate employees so that they can develop and achieve high performance, beyond what was previously thought. The application of a transformational leadership style that is not optimal can influence low employee performance, even though in this organization the role of a leader should be to try to encourage employees to achieve the targets that have been set. However, leaders are needed who involve subordinates in decision making, and are ready to help employees by providing ideas or solutions to the problems they face (Putra et al., 2019).

According to (Robbins & Judge, 2008), the success of a leader can be seen from the influence given to his subordinates in their work in order to achieve the goals set by the organization. Implementation of a leadership style that is not optimal where the leader does not provide inspiration to his followers, the leader does not protect his employees enough, the leader does not care and gives high encouragement to employees in completing work, does not support employees in doing their work which results in decreased employee performance (Widayati et al., 2017). According to (Putra et al., 2019; Praditya, 2020), transformational leadership really attracted the attention of management practitioners in the late 1970s. This type of leadership follows the trait theory of leadership, leader behavior theory, and contingency leadership theory. Transformational leadership makes a positive contribution to improving the market performance of consumer goods companies. Several research findings show that. Transformational leadership is closely related to management innovation, which in turn influences market performance. The sustainability or success of an organization is greatly influenced by the performance of its employees. Employee performance has a direct impact on the progress and decline of the organization (Widayati et al., 2017).

2. Theoretical Review

The transformational leadership style was originally developed by James MacFregor Burns in a political context. Next it was introduced in an organizational context by Bernard Bass. Transformational leadership style is a leader style that brings inspiration and extraordinary influencing abilities to followers with an emphasis on follower development (Prayudi, 2020).

Several characteristics of transformational leadership, namely: 1) Charismatic leadership; the influence of a leader who is admired, respected and imitated by followers so that it is easy to communicate the vision or mission of the organization. 2) Inspirational leadership; The leader's inspiration awakens, moves and enlivens the enthusiasm of his followers so they are able to complete the task. 3) Belief; A leader's strong instincts in seeing and making the right decisions that have a positive impact on the organization. 4) Intellectual stimulation, transformational leaders are able to provide and carry out intellectual stimulants to their followers, are able to encourage their followers to act creatively, invite subordinates to think in new ways, dare to come up with ideas and think rationally in solving a problem, not based on opinion or conjecture alone. 5) Individualized consideration, responsibility and ability of the leader to provide satisfaction and increase the productivity of his followers. Transformational leaders tend to be as one with their followers, friendly, close, and able to treat their followers as individuals with their own needs.

In this context, transformational leadership style has become a focus of attention in management research. The transformational leadership style involves leaders who are able to inspire and motivate employees through a strong vision, effective communication, and providing positive examples, as well as directing employees to achieve the best performance. Transformational leaders are able to create a positive work climate, promote change, and encourage innovation throughout the organization. This leadership style can create a supportive, collaborative and innovative work environment, which in turn can improve overall employee performance. By understanding the relationship between transformational leadership styles, companies can design more effective strategies to improve employee performance.

2.1 Transformational Leadership Style

Transformational leadership style is a leadership approach that focuses on developing strong relationships between leaders and subordinates. This leadership style emphasizes inspiration, vision, empowerment, and positive change in the organization. Transformational leaders influence employees to achieve higher levels of performance through influence and personal development. Transformational leadership style is a leadership approach that influences and inspires employees to achieve optimum performance and contribute to the success of the organization. According to (Robbins & Judge, 2008), transformational leadership style is a leader's skill in encouraging a team to achieve a predetermined vision and mission. The indicator variables for transformational leadership style according to Maquieira et al., 2020 include: *idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration*.

This leadership style includes several main dimensions that play a role in creating a positive and motivating work environment, including:

1. Inspiration: Transformational leaders are able to inspire employees by providing a clear vision, inspiring enthusiasm, and helping them understand the goals they want to achieve. This inspiration provides overall direction and purpose for employees, so they feel involved and motivated to achieve excellence.
2. Motivation: Transformational leaders encourage employees by providing support, appreciation, and paying attention to individual needs. They encourage employees to develop and achieve their best potential through intrinsic and extrinsic encouragement, thereby increasing employee work motivation.

3. **Empowerment:** Transformational leaders provide autonomy to employees and empower them to make decisions and act independently. They give employees greater responsibility, develop self-confidence, and provide opportunities to innovate and develop.
4. **Change:** Transformational leaders drive positive change in organizations. They strive to overcome obstacles and challenges, create an adaptive work culture, and encourage innovation. These leaders also serve as good role models, inspiring employees to embrace change and adapt quickly.

There is a lot of research that supports the effectiveness of the transformational leadership style in improving employee performance and organizational success. These studies show that transformational leadership style is positively related to job satisfaction, organizational commitment, productivity, and individual and team performance. However, it is also important to consider the organizational context and employee characteristics in implementing a transformational leadership style. Several factors such as organizational culture, hierarchical structure, and individual needs can influence the effectiveness of this leadership style.

Dimensions and Indicators of Transformational Leadership

According to Robbins and Judge (2008) there are four components of transformational leadership, namely: (i) *Ideal Influence (Idealized Influence)*, is a leader whose behavior provides vision and mission, as well as gaining the respect and trust of subordinates; (ii) *Inspirational Motivation (Inspirational Motivation)*, is a leader in his behavior who is able to communicate organizational expectations and inspire subordinates to achieve organizational goals; (iii) *Intellectual Stimulation (Intellectual Stimulation)*, is that a leader in his behavior is able to increase the creativity and innovation of subordinates, increase rationality and ability to solve problems; (iv) *Individual Considerations (Individualized Consideration)*, is a leader whose behavior treats subordinates as individuals who have needs, different abilities and aspirations. A successful leader is a leader who moves subordinates to achieve the goals set by the organization. Transformational leadership is a leader who inspires his followers, focuses on shared goals and not personal interests and has an influence on his followers.

2.2 Employee Performance

Employee performance is the result of employee work that meets the requirements (Top et al., 2020). An employee's performance is an individual matter because each employee has a different level of ability to complete their tasks. According to (Mangkunegara, 2005) performance is the result of work in terms of quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him. Performance is real behavior displayed by each person as a work achievement produced by employees in accordance with their role in the company. Based on several definitions of employee performance that have been put forward, it can be concluded that performance is the result of work achieved by employees over a period of time based on their respective jobs that have been determined by the company. Transformational leadership from superiors is a necessary condition for the presence of subordinate work performance.

Performance is defined as the capacity to complete activities that indirectly have the potential to increase the motivational function. Performance is a comparison of the work completed by employees with established criteria. Performance is a general term that refers to the operational success of an organization, in accordance with established standards and criteria. Performance can be measured in various ways, where the job satisfaction factor in doing one's work at work is related to a person's feelings about whether an employee's work is enjoyable or not.

3. Research Methods

This research uses a literature study approach, books, journals, research reports and secondary data to support the research results. A literature review involves providing a framework regarding new and previous findings to identify whether there has been progress in the results of a study through comprehensive research and interpretation of literature related to a particular topic. This includes identifying research questions by searching and analyzing literature using a systematic approach. In this research, a literature review was carried out to examine the conceptual models of various studies on the characteristics of transformational leadership which can improve employee performance in several previous studies. The review process of previous research was carried out using databases available in various public journal e-resources, both national and international.

4. Results and Discussion

The theoretical framework was developed in this research by reviewing various literature. Based on the results of the literature review above, the theoretical framework that will be developed in this research is as shown in the following picture:



Figure 1: Conceptual Framework

From the framework of thinking above and the various theories studied, it can be explained that transformational leadership is a factor that can influence and improve employee performance.

There are four components in transformational leadership: (i) Ideal influence, a leader provides a positive influence by being an example for his subordinates by providing inspiration, admiration, respect and trust (Darwis & Djajadiningrat, 2010; Nyokabi et al., 2017). (ii) Inspirational motivation, a leader outlines the company's vision, mission and goals by inspiring and motivating his followers (Rafferty & Griffin, 2004). (iii) Intellectual stimulation, where leaders are involved in developing their followers' abilities to overcome various obstacles and design effective and adaptive plans (Lee & Hidayat, 2018). (iv) Individual consideration, a leader's leadership allows him to take into account the needs, desires, values and abilities of his followers (Dr. S. H. K. Khalil & Sahibzadah, 2021).

Based on the results of previous research, the influence of transformational leadership on employee performance was obtained (in the cities of Erbil and Sulaymaniyah, Kurdistan-Iraq) where transformational leadership had a significant impact on employee performance (Top et al., 2020). In transformational leadership, managers are advised to build positive communication and relationships with employees, trying to motivate them in an inspiring way for company goals. Also managers encourage individual employees to follow job requirements, care about employees' problems and needs at work and provide them with performance enhancing training.

The research results of Asbari et al., 2021 show that transformational leadership has a significant effect on employee performance and readiness for change. Readiness to change is a mediator of the influence of transformational leadership on employee performance. Research result Purba & Sudibjo, 2020 shows that transformational leadership has a positive and significant effect on employee performance at PT Sago Nauli.

Implications of Transformational Leadership for Employee Performance

There are several characteristic components of transformational leadership that influence or have a positive impact on employee performance in the organization, namely: inspiration motivation, idealized influence, intellectual stimulation, and individual consideration, as can be seen in the following figure (Alhamidi, 2022 ; Kho et al., 2023).

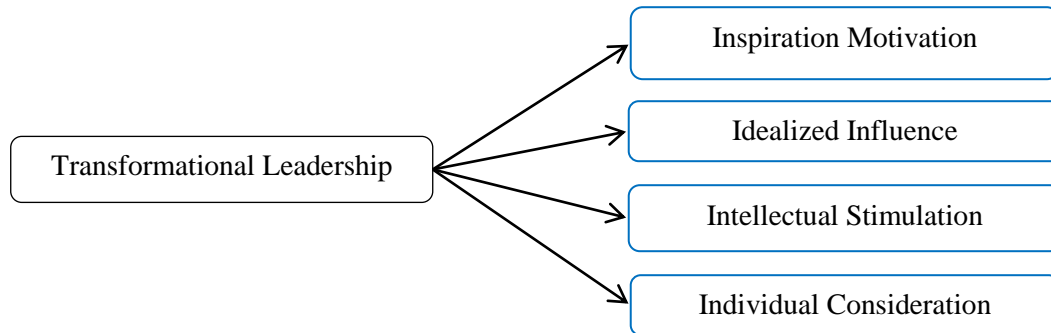


Figure 2: Implications of Transformational Leadership

The transformational leadership style currently seems to be the most effective leadership style, capable of changing employee and organizational dynamics positively. Leaders are seen as role models for their followers. A researchers (Jiang et al., 2017), found that there is a positive relationship between transformational leadership and employee performance. Transformational leadership is a complex process, which can influence, direct, and change follower behavior to achieve something beyond expectations. Transformational leadership is still relevant in managing employee performance according to organizational needs, where research results show that all components of transformational leadership can improve employee performance (Alhamidi, 2022).

Facing challenges in the Covid era, companies in their activities must have a strategy that is capable of transformation and innovation so that they are not crushed by developments over time. The figure of a leader as a role model in an organization and changes within it to achieve goals must start from the top leader, who is reformist and capable of transforming change (Baskoro & Irwansyah, 2015).

An embodiment of transformational leadership where company managers can provide motivation and build positive communication or relationships with employees, care about employee problems and needs, and provide related training to improve performance. The changes that occur can be an opportunity for employees to be better prepared to anticipate them. Readiness for change has a positive and significant effect on the relationship between transformational leadership and employee performance (Asbari et al., 2021). Managers should pay attention to the leadership style applied to employees because leadership style is a factor that influences performance improvement.

5. Conclusion

Based on the results of the study and data analysis that has been carried out, it can be concluded that there is a positive correlation between transformational leadership and employee performance. Transformational leadership in the context of change after the Covid-19 pandemic has a positive and significant impact on employee performance. Transformational leadership includes various characteristics, such as charismatic leadership, inspirational leadership, belief, intellectual stimulation, and individualized consideration. This leadership style is able to inspire, motivate and empower employees, as well as encourage positive change and organizational success in achieving organizational goals. Transformational leadership has an influence on employee performance in various contexts,

including in the industrial sector where motivation, job satisfaction, commitment, productivity and individual and team performance increase.

Transformational leadership as a model that can improve employee performance can be obtained through training programs. Training programs provided to employees can equip employees to improve their leadership style so that they can become inspirational leaders for their subordinates. Transformational leadership training for leaders at the middle level to improve leaders' abilities in relation to improving employee performance. This can be achieved if employees are involved in the decision-making process, provide constructive feedback and good development opportunities. A good training program will increase insight into employees or organizational leaders in influencing the work behavior, engagement and performance of their followers (Bakker et al., 2022). Transformational leadership as a model for managing employee performance in industry with employee readiness to face the era of industrial revolution 4.0. The application of the conceptual model of transformational leadership in the digital era is considered a necessity for organizations, especially in facing the challenges of changing times. In situations where companies have to adapt to rapidly changing business climates, transformational leadership is considered an important factor in improving employee performance. Transformational leadership has also been linked to organizational success, including improved customer experience, customer satisfaction, efficiency, and increased revenue.

Applying an important transformational leadership style in facing changes in the digital era can help organizations design more effective strategies to improve organizational performance and sustainability. Good transformational leadership through the example of a leader who prioritizes the interests of followers or subordinates rather than personal interests. Leaders who treat them respectfully without distinction, and always motivate their members to achieve organizational goals. Leaders must set an example for employees in good behavior.

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