ANALYZING THE RELATIONSHIP BETWEEN TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP STYLE ON EMPLOYEE PERFORMANCE IN PT. TX BANDUNG

Anindya Tiara Widayanti and Nur Arief Rahmatsyah Putranto
School of Business and Management
Institute Technology of Bandung, Indonesia
anindya.tiara@sbm-itb.ac.id

Abstract. In this century, the business worlds become more competitive. Both private and public organization should be able to organize and process all of the resources effectively and efficiently to get optimum performance (Hasibuan, 2004). Douglas (1996) explained that a company needs employees who has high performance, so it can help company to achieve its goals. In private company such as PT. TX Bandung, maximum employee performance is needed because it can help company to be develop. One of the factors that can motivate employees and increase their performance is the leadership style of the leader. Organization needs a leader who is capable to get their vision and mission together. Researcher interested to analyze the relationship between transformational and transactional leadership, which have impact to the employee performance. The objective of this research is to find the relationship between transformational and transactional to employee performance and to find the significant relationship between those variables. The result of the analysis shows that transformational and transactional leadership style has positive relationship to the employee performance. Transformational and transactional leadership also has significant effect to employee performance, either partially or concurrently. This study recommends that leader in the office have to increase their attitude in encouraged, motivated, gives supports and recognition, and providing rewards to the subordinates. Thus, employees are expected to become more optimal in performing the jobs.

Keywords: Transformational Leadership, Transactional Leadership, Employee Performance

Introduction

In this century, the business worlds become more competitive. Both private and public organization should be able to organize and process all of the resources effectively and efficiently to get optimum performance (Hasibuan, 2004). Resources that company has such as capital, method, and machine will not give optimum result if it does not supported by excellent human resources to produce the maximum performance. Douglas (2000) explained that a company needs employees who has high performance, so it can help company to achieve its goals. One of the important factors that can determine employee performance and organization capabilities, which can adapt flexibly to the environmental change, is leadership (Bass *et al,* 2003; Yammarino *et al,* 1993; and Locander *et al,* 2002).

In a company such as PT. TX Bandung, the employee performance is important because the level of success depends on the achievement of their target. Their accomplishment of achieving target might help the company to develop. Therefore, the capability of employee to fulfill their targets will become factors that determine the company's performance. The improvement of the employee performance can be caused by internal and external factors (Saeed, et al, 2013). One of the external factors that that have to be considered to improve the employee performance is leadership style of their leader (Bass et al, 2003).

In this study, researcher wants to research about the relationship between transformational leadership style and transactional leadership style on employee's performance. The capability of employee to fulfill their targets will become factors that determine the company's performance. In order to improve employee's performance, the leadership style may become one of the important factors to be considered. Researcher also wants to prove the leadership style of the leader can affect the employee performance and improve in the future to get the optimum performance.

Literature Review

Yukl (2006) defines leadership as the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual to accomplish shared objectives. Bass and Avolio (1994) described leadership as the interaction between two or more members of a group that involves the structuring or restructuring of a situation, and the perceptions and expectations of members. Leadership style is the combination of attitude and behavior of a leader, which leads to certain patterns in dealing with the followers (Abdalla, 2010). It is the result of the philosophy, personality and experience of the leader. There are several leadership styles such as: autocratic, bureaucratic, charismatic, democratic, participative, situational, transformational, transactional, and laissez faire leadership (Kranenburg, 2013). Leadership style is an important consideration as it influences employee attitudes and behavior (Mester, Visser,, and Kellerman, 2003). One of the types of leadership that widely used is transformational and transactional.

Transformational Leadership
Boonzaier (2008) said that transformational leaders develop strong emotional bonds with their followers through the use of individual attention, vision, and inspiration, and direct their followers toward the future and create organizational cultures of creative change and growth. This type of leadership is considered to be more proactive and more involved in the work of the employees (Jansen, 2013).

Transactional Leadership
On the other hand, transactional leadership is commonly described as an exchange commitment where the employee receives a reward in exchange for accomplishing specific objectives (Bass & Avolio, 1994; Yukl, 2006). Most studies propose that with transactional leadership, employees tend to be more motivated (Jansen, 2013). Transactional leaders motivate followers through setting goals and providing rewards on the achievement of these goals (Boonzaier, 2008; Yammarino, Spangler, and Bass, 1993).

Relationships and Significant Effect Between Transformational Leadership and Employee Performance
Based on the previous research by Paracha et al (2012) the result indicates that transformational leadership has correlation to the employee performance. It is similar with study by Yammarino et al (1993) stated that there is positive relationship between transformational leadership and employee performance. For the significant effect, Abdalla (2010) found that transformational leadership has a significant effect to the employee performances. It is similar with the study by Bass and Avolio (1994) and Zhou (2012) that transformational leadership is significant with employee performance.

Relationships and Significant Effect Between Transactional Leadership and Employee Performance
A stated by Sundi (2013) that transactional leadership has relationship to the employee performance is consistent with Bass and Avolio (1994) because the leaders giving tasks and subordinates are expecting rewards from the leader. Paracha et al (2012) study also indicates that transactional leadership is correlated to the employee performance For the significant effect, Haryadi (2003) research study found that there is significant effect between transactional leadership and employee performance. It is also similar with the Timothy et al (2011) research study that transactional leadership has significant effect to the employee performances.

Methodology

Theoretical Frameworks and Hypothesis
Study research by Sundi (2013) result shows that there is a significant effect between transformational and transactional leadership to employee performance. This result supported the opinion by Bass et al (2003) that transformational and transactional leadership styles cannot be strictly separated. An organization needs leaders who capable to transform the vision and mission, giving encouragement, and commitment to the followers but organization also need leaders who giving direction, appreciate the accomplishment, and provide reward for the work done (Sundi, 2013). Based on the theoretical framework, the hypothesis in this research is:

H_1 : There is relationship between transformational leadership style and employee performance
H_2 : There is relationship between transactional leadership style and employee performance
H_3 : There is significant relationship between transformational leadership style and employee performance
H_4 : There is significant relationship between transactional leadership style and employee performance

Data Collection
The data collection of this research consists of two kinds, primary and secondary data. The primary data was collected from questionnaire. Based on Slovin Theory method, the respondents that needed to fill the questionnaire is 92 employees. The questionnaire that researcher used is Multifactor Leadership Questionnaire (MLQ) by Bass and Avolio (1994). MLQ is widely used for measured the behavior and types of leadership such as transactional, transformational, and laissez-faire (Alsayed, Motaghi, Osman, 2012). It is also has been widely tested for its liability in diverse context and has been applied across many countries and cultures such as Germany, United States, Thailand, and Australia (Alsayed, Motaghi, Osman, 2012). For the secondary data, researcher was collected from the office report or assessment to get the data of employee performance.

Data Processing
After 92 respondents filled all of the questionnaires, researcher has to measure the quality test of data by using validity and reliability test. An instrument is said to be valid if this instrument capable to measure that has to be measured and capable to reveal that has to be revealed. Validity test is used to see the consistency between independent variable with dependent variables and reliability test used to measure consistency in producing similar results on different but comparable occasions.

Data Analysis
For the data analysis, researcher used multiple regression analysis to find the relationship because the independent variable is more than one variable. Before researcher uses multiple regression, the data have to pass the classic assumption test that consist of multicollinearity test, heteroscedasticity test, normality test, and autocorrelation test. Multicollinearity test used to find the strong relation between independent variables in this regression model. If there is strong relation between independent variable, it will make the connection between independent and dependent variable disturbed. Heteroskedasticity test is to see whether there are difference variants from one research to other research. If there are difference variants from one research to others, it can cause regression coefficient estimator value become inefficient. Normality test is to test whether in the regression model, the dependent variable and the independent variables have a normal distribution or not. This is important because in all regression assumes the residual value following the normal distribution. Autocorrelation is a statistical method to test whether in the linear regression model there is a correlation between the period t with the previous period (t-1). All of the classic assumption test is must be done before continuing to the multiple regression analysis.

After researcher tests the data by classic assumption, the next step of this research is analyzing data by using Pearson-product moment correlation and multiple regressions analysis. Pearson correlation coefficient is a method to measure the strength of a linear association between two variables and multiple regression is used when we want to predict the value of a variable based on the value of two or more other variables. To process the data and analyze the relationship among variables, researcher use SPSS program. Independent variables in this research are transformational leadership (X_1) and transactional leadership (X_2) while the dependent variable is employee performance (Y). After finding the regression between dependent and independent variables, researcher used hypothesis test. Hypothesis test refers to the formal procedures used to accept or reject statistical hypotheses. The test is used to measure the accuracy of the regression sample function to estimate the actual value. Hypothesis can be statistically measured by the T test, F test, and coefficient of determination (R^2).

Data Analysis

Validity and Reliability Test
First, before the data was tested to find the correlation between variables, researcher used validity and reliability test to measure the data whether valid and reliable or not. Researcher used SPSS software to test the validity and reliability. For the validity test, the data is valid if the value of correlation coefficient > R table (Ghozali, 2005). With the total sample (n) = 92 and significance level = 0.05 then obtained the R table is 0.203. Based on the result, transformational and transactional leadership is can be stated as valid because the correlation coefficient of each indicator in each variables is more than R table (0.203).For the reliability test, researcher using Cronbach Alpha statistical test. The data can be said reliable if the value of Cronbach Alpha > 0.60 (Ghozali, 2005). Based on the calculation using SPSS software, the Cronbach Alpha value of transformational is 0.742 and transactional is 0.772, which means that both transformational and transactional is reliable and analysis process of the hypothesis can be continued.

Classic Assumption Test
Based on ordinary least square (OLS), classic assumption test is statistic requirement that must be done in multiple linear regression analysis (Nugroho, 2011). In this research, the classic assumption test that researcher used is multicollinearity, heteroscedasticity, normality, and autocorrelation test. First is multicollinearity test. Ghozali (2005) stated that to find multicollinearity is by seeing the value amount of Variance Inflation Factor (VIF) and value of tolerance. It can be said that there is no multicollinearity if the VIF < 10.0 or the value of Tolerance > 0.10 (Ghozali, 2005). Based on the calculation by SPSS software, the tolerance value of transformational and transactional is 0.333 and the VIF value is 3.004, it can be conclude that there is no multicollinearity in the variables because the tolerance value is more than 0.10 and the VIF value is less than 10.Second is heteroscedasticity test. An appropriate regression model is when there are no difference variants between one research to other research or it can be said as homoscedasticity. If the value of probability significance > 0.05, then the data is not containing heteroskedasticity (Ghozali, 2005). Based on the calculation by SPSS software, the value of probability significance of transformational is 0.905 and transactional is 0.470, it can be conclude that the data is not containing heteroscedasticity.

Third is normality test. To detect the normal distribution of the data can be used a statistical test. The statistical test that will be used in this research is Kolmogorov-Smirnov. Data can be said as a normal distribution if the significance value > 0.05 (Ghozali, 2005). Based on the calculation, the significance value of the data is 0.361 which means that the data is normally distributed because the significance value is more than 0.05.The last classic assumption test is autocorrelation. An appropriate model regression is not containing autocorrelation. In this research, researcher used autocorrelation method with Durbin-Watson (DW test). Before calculate the autocorrelation test using SPSS software, researcher have to find the value of dU and dL based on the Durbin-Watson table. With total respondents (n) = 92, independent variables (k) = 2, and α = 5%, then the value of

dU is 1.7053 and dL is 1.6166. Based on the calculation, the value of Durbin-Watson is 1.732, which means it is located between dU (1.7053) and 4-dU (2.2947). It can be concluded that the data is not containing autocorrelation and can be continued to next step of regression.

Pearson Product-Moment Correlation
Pearson correlation coefficient is a method to measure the strength of a linear association between two variables. The possible values of the Pearson Correlation method will be between -1 and 1 (Everitt, 2002). The closer of the values to 1.0, the correlation will get higher. Based on the calculation, the Pearson Correlation's value between employee performance (Y) and transformational (X_1) is 0.677 which means that there are correlation between those variables. Then, the pearson correlation's value between Employee performance (Y) and transactional (X_2) is 0.667 which means that there are correlation between those variables. It can conclude that all the variables is more than 0 which means that all of the independent variables has correlation to the dependent variable.

Multiple Regression Analysis
Multiple regression is a statistical method used to examine the relationship between one dependent variable and one or more independent variables. The detail of the calculation of multiple regression is shown in the table 4.1:

Table 4.1 Multiple Regression Analysis

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	84.377	3.140		26.869	.000
Transformational	.406	.133	.397	3.048	.003
Transactional	.401	.152	.343	2.636	.010

a. Dependent Variable: Kinerja

Based on the table 4.1 above, it can be interpret in the equation below:

$$Y = 84.377 + 0.406\, X1 + 0.401\, X2$$

Where:
Y : employee performance
X_1 : transformational leadership style
X_2 : transactional leadership style

It can be conclude that employee performance will increased and supported by transformational (X_1) and transactional (X_2) leadership style because those two variables have positive values on the equation. If the transformational or transactional leadership increased, it also increased the employee performance. This result is similar with the previous research by Yammarino (1993) and Bass & Avolio (2003) that transformational and transactional leadership style has positive relationship with employee performance.

Hypothesis Test
The test is used to measure the accuracy of the regression sample function to estimate the actual value. Hypothesis can be statistically measured by the T test, F test, and coefficient of determination (R^2). First is T test. T-test was used to test the significant effect of transformational (X_1) and transactional (X_2) to employee performance (Y) partially. T-test can be measured by the value of t and the significant value. If the T value > T table then the independent variable has a significant effect to the dependent variables. On the other hand, if the significant value of variable is less than 0.05, then the independent variable has significant effect to the dependent variable. Based

on the table 4.1, for the transformational leadership style (X_1), the t value is 3.048 and the significant value (Sig.) is 0.003. It means that the T value (3.048) > T table (1.990) and the significant value (0.003) < 0.05. We can conclude that transformational (X_1) has significant effect to employee performance (Y). On the other hand, the transactional leadership style (X_2), the T value is 2.636 and the significant value is 0.010. It means that the T value (2.636) > T table (1.990) and the significant value (0.010) < 0.05. We can conclude that transactional (X_2) also has significant effect to employee performance (Y).Second is F test. F test is to determine the relationship between transformational and transactional leadership style to employee performance concurrently. The detail of the calculation is shown in the table below:

Model Summary

	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
F	1	.706[a]	.498	.487	2.76009

Table 4.2 test

a. Predictors: (Constant), Transactional, Transformational

Based on the Table 4.2 above, the F value is 44.109. With df1 = 2 and df2 = 90, the value of F table is 3.10. It means that transformational (X_1) and transactional (X_2) has significant relationship with employee performance because the F value (44.109) > F table (3.10). The result of this analysis is similar with previous research by Abdalla (2010) that transformational and transactional leadership has positive significant correlation to employee performance. The last one is determinan coefficient. Determinant coefficient used to measure the independent variable variation in the model can be interpreted by dependent variable (Gujarati, 2003). The result of the determinant coefficient calculation is shown in the table
4.3 below:

Table 4.3 Determinant Coefficient

ANOVA[a]

	Model	Sum of Squares	df	Mean Square	F	Sig.
	Regression	672.053	2	336.026	44.109	,000[b]
1	Residual	678.010	89	7.618		
	Total	1350.063	91			

Based on the table 4.3 above, the value of R^2 is 0.498. It means that transformational and transactional leadership style give impact by 0.498 or 49.8% to the employee performance or it can be concluded that employee performance is influenced by transformational and transactional leadership style while 50.2% is influenced by other factors such as compensation, motivation, etc.

Conclusion and Recommendation

Based on the result analysis, it can be concluded that there is a positive connection between transformational leadership and transactional leadership to employee performance. If the leader applied the better transformational leadership, or transactional leadership, or both, it will increased the performance of employees. Thus, the first and second hypothesis stated "There is positive relationship between transformational and transactional leadership to employee performance" is supported. Transformational and transactional leadership also has significant relationship to employee performance, either partially or concurrently. It can be seen in the table 4.1 and table 4.2, the significant value of the independent variables is less than 0.05. Thus, the third and fourth hypothesis stated "There is a significant relationship between transformational and transactional leadership to employee performance" is supported.

Since transformational and transactional has positive impact and significant relationship to the employee performance, the leader of the company have to implemented more transformational and transactional leadership style to their subordinates to increase their performance. One of the example to make transformational and transactional leadership style more effective is by organize a training on transformational leadership for all top managers in the organization because application of the transformational leadership style also must be supported by the top management. Their leader also can give rewards for the appreciation to the employees. However, other factors such as organization culture, compensation, motivation, etc that can affect to the employee performance also have to be considered.

Limitation and Further Research

There are several limitations in this research. First, this research was only focused on employees in PT. TX Bandung. Second, this research only focused in one company where there are other companies in Indonesia which may generate different result due to different environment. Third, this research only focused on transformational and transactional leadership style where there are any other factors that may influenced employee's performance in the company. For the further research, it will include more several independent variables such as compensation, motivation, employee engagement, organizatonal culture, etc. Besides that, it is also need to expand the object of the research, not only in one company but also other companies in Indonesia.

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