



Impact of Transformational Leadership on Employee Performance in Startups: Mediating Role of Job Satisfaction and Commitment

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ABSTRACT: Human resources are a valuable asset for any organization. In human resource management, the issue of employee performance is very important because performance has a major impact on the success of an organization. Therefore, researchers want to conduct research by linking the variables of transformational leadership, job satisfaction, and organizational commitment because these variables are considered to be very instrumental in efforts to improve employee performance at company.

The purpose of this study was to determine the effect of transformational leadership on employee performance with job satisfaction and organizational commitment as mediation at company. This research was conducted on employees at company. The sampling method used simple random sampling. Data collection was carried out by distributing questionnaires to 100 respondents. This type of research is a type of quantitative research and uses an analysis method with the Smart PLS 3.0 programmed.

The results indicate that transformational leadership does not have a significant positive impact on job satisfaction or employee performance within the company. However, it positively and significantly influences organizational commitment. Additionally, job satisfaction shows no effect on employee performance, whereas organizational commitment demonstrates a positive and significant impact on employee performance. Furthermore, transformational leadership indirectly and significantly affects employee performance.

KEYWORDS: Employee Performance, Job Satisfaction, Organizational Commitment, Startups, Transformational Leadership.

INTRODUCTION

Ensuring a reliable and competent workforce enables company management to enhance employee performance and productivity. Thus, organizational leaders must foster a supportive and conducive environment. Leadership, in essence, can be categorized into two types: transformational leadership and transactional leadership, each exhibiting distinct characteristics. Research indicates that factors such as organizational commitment and job satisfaction play mediating roles in influencing employee performance.

Leadership significantly impacts a company's success as its primary goal is to influence others in achieving shared objectives. This approach considers the aspirations of both the leader and their followers as aligned goals. Among various leadership styles, transformational leadership is often regarded as the most effective (Bass as cited in Nur et al., 2021). Transformational leaders emphasize intrinsic motivation and personal development, aligning individual aspirations and organizational goals. Such leaders inspire followers to commit to organizational objectives and achieve enhanced performance (Nur et al., 2021). Amid complex organizational structures and dynamic business environments, individuals adept at driving change and guiding teams through uncertainty are recognized as transformational leaders (Voon as cited in Bagus et al., 2017). Bass's transformational leadership model underscores its efficacy in building trust among subordinates, suggesting that the relationship between transformational leadership and performance is contingent on followers' trust in their leaders and shared values (Nur et al., 2021).

Performance is defined as individual behavior within an organization or company that meets established standards to achieve desired outcomes. According to Mangkunegara (Bagas & Agatha, 2020), employee performance encompasses both quantitative and qualitative achievements aligned with assigned responsibilities. Factors such as work effectiveness, balance, and environmental resources (e.g., task clarity and feedback) influence employee performance (Bagas & Agatha,



2020). Organizations must recognize the importance of these factors to improve and sustain employee performance, as they significantly impact organizational sustainability.

One factor affecting employee performance is job satisfaction. Ermita and Rahmayuni (2019) emphasize the importance of fostering employee performance through targeted initiatives, enabling leaders to identify challenges, improve work processes, enhance skills, and boost morale. These efforts cultivate adherence to organizational norms and regulations, fostering job satisfaction within the organization.

Job satisfaction refers to an employee's sense of fulfillment derived from their work, reflecting a balance between personal values and workplace achievements. It encompasses both positive and negative sentiments about one's job (Helmi & Abunar, 2021). Employee satisfaction and efficiency are crucial to organizational success, as employees represent the driving force of business operations. Higher job satisfaction correlates with increased organizational commitment, ultimately enhancing employee performance (Febriansyah & Puspitadewi, 2021).

Organizational commitment is equally vital, particularly for organizations striving to attract and retain talented employees. It reflects employees' association with their organization, influenced by factors that determine their commitment (Suharto et al., 2019). Empirical studies suggest that job satisfaction and organizational commitment significantly impact employee performance, forming a foundation for improvement (Dinc, 2017).

A survey conducted by JobStreet.com (2022) among 17,623 respondents in Indonesia revealed that 73% of employees are dissatisfied with their jobs. Contributing factors include job mismatches, limited career progression, and a lack of work-life balance. Additionally, outdated and rigid leadership styles, such as authoritarian or militaristic approaches, further diminish employee satisfaction.

Eliyana (2019) found that transformational leadership influences both employee effectiveness and organizational commitment. However, organizational commitment alone does not significantly impact employee performance. On the contrary, transformational leadership's effectiveness can be context-dependent, as indicated by studies suggesting varying levels of impact (Anis et al., 2019). By addressing these interconnected factors, organizations can create a holistic approach to enhancing employee satisfaction, commitment, and performance through effective transformational leadership.

RESEARCH HYPOTHESIS

1. The effect of Transformational Leadership (X1) on Job Satisfaction (Z1)
2. The effect of Transformational Leadership (X1) on Organizational Commitment (Z2)
3. The effect of Job Satisfaction (Z1) on Employee Performance (Y1)
4. The effect of Organizational Commitment (Z2) on Employee Performance (Y1)
5. The effect of Transformational Leadership (X1) on Employee Performance (Y1) through Job Satisfaction (Z1) as an intervening variable
6. The effect of Transformational Leadership (X1) on Employee Performance (Y1) through Organizational Commitment (Z2) as an intervening variable

REVIEW OF LITERATURE

Based on the research conducted by Sulistyawati et al. (2022), transformational leadership is a leadership model believed to be effective in improving employee performance and job satisfaction. In addition, this chapter presents theoretical research on transformational leadership styles and their influence on job satisfaction and performance. According to Rivai (2014), transformational leadership is a leadership style that guides or motivates employees by clarifying roles and task requirements to set goals. Buil (2019) states that transformational leadership refers to an approach where leaders align their subordinates with the goals and interests of the organization and motivate them to exceed expectations.

Job satisfaction is an emotional state of being either happy or unhappy with one's job. Job satisfaction reflects the feelings of an individual when performing a job or specific tasks. This is reflected in the positive attitudes of employees towards their work and everything they encounter. According to Luthans in (Bagas & Agatha, 2020), job satisfaction is developed by employees over time in relation to various aspects of their job, such as wages, supervision style, coworkers, promotions, and the nature of the job itself.



According to Wibowo (2014), job satisfaction occurs at the level where work results reach the individual. When more people accept the products of work, they feel satisfied, and when fewer people accept the products, they feel dissatisfied (Ariani & Mugiastuti, 2021). Theoretically, there is a relationship between job satisfaction and job performance. Organizations with high employee satisfaction tend to be more effective and productive. Furthermore, satisfied employees have a lower turnover rate (Anis et al., 2019).

Organizational commitment is a psychological construct of responsibility that employees have towards the tasks and directives of the organization (Ariani & Mugiastuti, 2021). According to Meyer and Allen, organizational commitment can be identified through three main concepts. First, involvement, which emerges as an emotional bond with management (affective commitment). Second, commitment seen as the costs that employees must bear if they leave the organization (continuance commitment). Third, commitment as an agreement to remain within the organization (normative commitment) (Bagas & Agatha, 2020).

Employee performance is the work achievement that compares the results of work with the established standards, so employee performance focuses on their tasks. According to Robbins (2016), employee performance is the accumulation of all processes and work activities within an organization.

Employee performance refers to human behavior in an organization that meets the established behavioral standards to achieve desired outcomes. According to Mangkunagara (2017:67), employee performance is the work results, both in terms of quality and quantity, achieved by an individual in carrying out tasks in accordance with the responsibilities assigned. Employee performance is influenced by several factors, including the effectiveness of the balance between work and the environment.

METHODOLOGY

This study is a quantitative research aimed at explaining the relationships between variables or the mutual effects through hypothesis testing. The research method uses research instruments to collect data from a specific population or sample, with data analysis conducted statistically to test the research hypotheses.

In this study, the main data collection method is through the use of a questionnaire, which is a written list of questions presented to individuals or groups to obtain the answers and information needed by the researcher. The questionnaire in this study will be distributed to employees of a startup company with a sample size of 100 people. The collected data will be processed to obtain answers to the research questions that have been defined, using data analysis procedures with the statistical application SmartPLS.

RESULTS

Results were presented in the following tables.

Table 1. Respondents by Gender and Age

No	Gender	Age				Total
		< 20 Years	21-30 Years	31-40 Years	41-50 Years	
1.	Man	0	32	16	4	52
2.	Women	0	28	18	2	48
Total		0	60	34	6	100

Based on Table 1. above, the employee gender profile is dominated by males aged 21-30 years, accounting for 32%. Among female employees, the majority are also in the 21-30 age group. In this study, 52% are male and 48% are female. It can be concluded that the majority of employees are male.

Table 2. Respondents by Education Level

No	Education Level	Frequency	Percentage
1	Junior High School	0	0%
2	Senior High School	22	22%



3	Diploma	21	21%
4	Bachelor	55	55%
5	Master	2	2%
	Total	100	100%

Table 2. shows that the majority of employees have a high school education level, accounting for 22%. Other education levels include diploma at 21%, bachelor at 55%, and masters at 2%. From this data, it can be concluded that the majority of employees have an Bachelor's degree.

Table 3. Respondents by Length of Service

No	Length of Service	Frequency	Percentage
1	< 1 years	3	3%
2	1 – 2 years	8	8%
3	> 2 years	89	89%
	Total	100	100%

Table 3 above shows that the majority of employees have a work tenure of 1-2 years, accounting for 8%. For employees with less than 1 year of work experience, the percentage is 3%, and the remaining 89% have worked for more than 2 years. It can be concluded that the majority of employees have worked for more than 2 years.

Table 4. Respondents by Position Level

No	Position Level	Frequency	Percentage
1	Staff	88	88%
2	Supervisor	10	10%
3	Secretary	2	2%
	Total	100	100%

Table 4 above shows that 88% of employees hold positions as staff members, which include various departments such as IC (Internal Control), Marketing, AC (Account Officer), Analyst, Customer Service, and Legal Officer. The position of supervisor accounts for 10%, while the secretary position accounts for 2%. It can be concluded that the majority of respondents hold staff positions in this study.

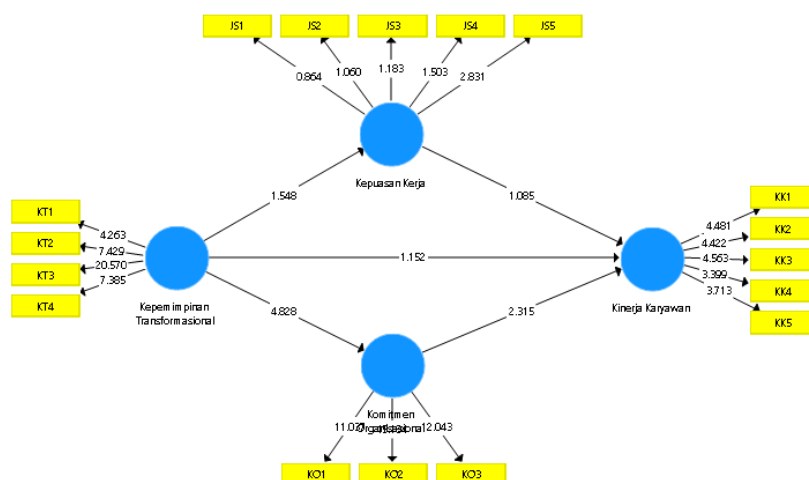


Figure 1. PLS-Algorithm Model



In Figure 1. the PLS-algorithm model can be explained as consisting of 4 variables, six hypotheses, and seventeen indicators from the data obtained in this study. The PLS-algorithm model explains the outer loading in this study by examining the effect of indicators on the variables. The data in Figure 4.1 are obtained through the processing of primary data using SmartPLS 3.0, meaning the data are still unprocessed according to the requirements of the PLS method.

	KT	JS	KK	KO	Status
JS1		0.789			Valid
JS2		0.869			Valid
JS3		0.711			Valid
JS4		0.834			Valid
JS5		0.863			Valid
KK1			0.733		Valid
KK2			0.795		Valid
KK3			0.909		Valid
KK4			0.778		Valid
KK5			0.738		Valid
KO1				0.780	Valid
KO2				0.946	Valid
KO3				0.848	Valid
KT1	0.737				Valid
KT2	0.827				Valid
KT3	0.863				Valid
KT4	0.724				Valid

Figure 2. Convergent Validity

Based on Figure 2. above, it can be explained that all indicators from the data obtained are valid because their values are > 0.70, meaning that the measurement tools used in this study are accurate. Based on the data, the highest value is found in the indicator KO2 with a value of 0.946, and the lowest value is in the indicator JS3 with a value of 0.711.

Table 5. Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)	Status
Transformational Leadership	0.624	Valid
Job Satisfaction	0.569	Valid
Employee Performance	0.629	Valid
Organizational Commitment	0.741	Valid

Based on the AVE values in the table above, the measurement tools used in this study are appropriate, as the AVE values for all variables obtained are above 0.50.

Table 6. Composite Reliability

	Composite Reliability	Status
Transformational Leadership	0.868	Reliabel
Job Satisfaction	0.723	Reliabel
Employee Performance	0.894	Reliabel
Organizational Commitment	0.895	Reliabel

Based on Table 6. above, it can be explained that all the data obtained are reliable, meaning that all measurement instruments have accuracy with values above 0.7. The highest value is found in the Transformational Leadership variable, and the lowest value is in the Job Satisfaction variable.

Table 7. Cronbach’s Alpha

	Cronbach's Alpha	Status
Transformational Leadership	0.801	Reliabel
Job Satisfaction	0.833	Reliabel
Employee Performance	0.853	Reliabel
Organizational Commitment	0.822	Reliabel

Based on Table 7. it can be explained that the Cronbach's alpha values are reliable, as they are above 0.7. This means that the measurement instruments used are accurate. The highest value is found in the Employee Performance variable, while the lowest value is in the Transformational Leadership variable.

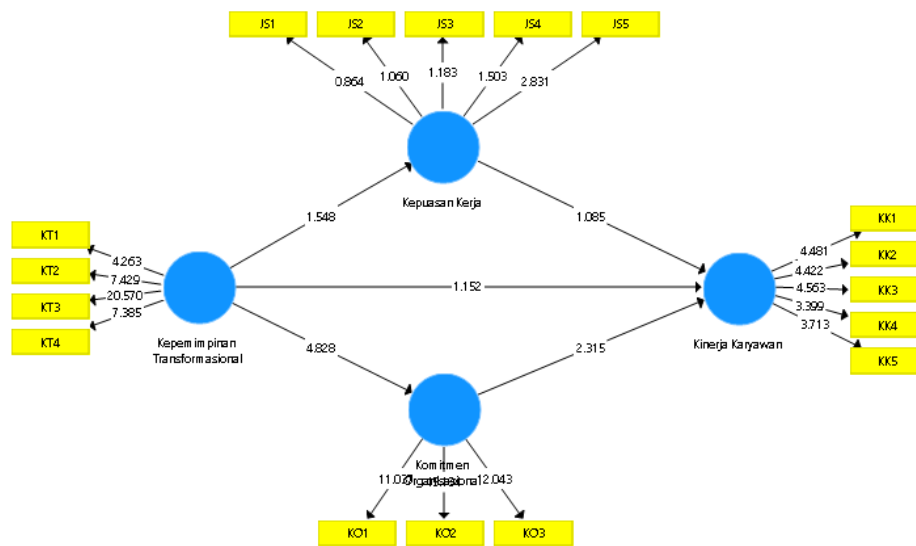


Figure 3. Bootstrapping

The results of bootstrapping represent the processing of primary data to examine the influence of one variable on another. After conducting the indicator test, the bootstrapping results show that there are 3 (three) hypotheses that are not significant, where the minimum T-statistic value is ≥ 1.96 . The insignificant hypotheses include the non-significant effect of transformational leadership on job satisfaction, the non-significant effect of transformational leadership on employee performance, and the non-significant effect of job satisfaction on employee performance.

Table 8. R Square

	R Square	R Square Adjusted
Job Satisfaction	0.058	0.049
Employee Performance	0.176	0.152
Organizational Commitment	0.190	0.182

Based on Table 8. it can be seen that transformational leadership affects employee performance by 4.9%, while 95.1% is influenced by other factors not included in this research model. Transformational leadership also affects employee performance by 15.2%, with the remaining 84.8% influenced by other factors not included in this research model. Organizational commitment is influenced by transformational leadership by 18.2%, while the remaining 81.8% is influenced by other factors not included in this research model.



Table 9. Correlation Test

	KT	JS	KK	KO
Transformational Leadership	1.000	0.242	0.038	0.436
Job Satisfaction	0.242	1.000	0.323	0.249
Employee Performance	0.038	0.686	1.000	0.300
Organizational Commitment	0.436	0.249	0.300	1.000

Based on the results of the correlation test, data above 0.5 indicates a strong influence between variables, while data below 0.5 tends to show a weak influence between variables. In the research results, the strongest influence is that job satisfaction is influenced by employee performance by 0.686, while the weakest influence is that transformational leadership is influenced by employee performance by 0.038.

Table 10. Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
KT -> JS	0.242	0.216	0.161	1.499	0.137
KT -> KK	-0.161	-0.125	0.134	1.206	0.231
KT -> KO	0.436	0.458	0.081	5.406	0.000
JS -> KK	0.288	0.181	0.265	1.085	0.280
KO -> KK	0.298	0.316	0.109	2.742	0.007

Table 11. Total Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
KT -> JS					
KT -> KK	0.199	0.197	0.078	2.556	0.012
KT -> KO					
JS -> KK					
KO -> KK					

RESULT HYPOTHESIS

Hypothesis 1: Based on the results in Table 10, it shows that the effect of transformational leadership on job satisfaction is not significant, with the T-statistic value being less than 1.96 ($1.499 < 1.96$), which causes H0 to not be rejected. This indicates that there is no positive and significant impact of transformational leadership on job satisfaction.

Hypothesis 2: Based on the results in Table 10, it also shows that the effect of transformational leadership on employee performance is not significant, with the T-statistic value being less than 1.96 ($1.206 < 1.96$), so H0 is not rejected. From this result, it can be concluded that there is no positive and significant effect of transformational leadership on employee performance.

Hypothesis 3: Based on the results in Table 10, the effect of transformational leadership on organizational commitment is significant, with the T-statistic value being greater than 1.96 ($5.406 > 1.96$), so H0 is rejected and Ha is accepted. This indicates that there is a positive and significant impact of transformational leadership on organizational commitment.



Hypothesis 4:

Based on the results from Table 10, it also shows that the effect of job satisfaction on employee performance is not significant, with the T-statistic value being less than 1.96 ($1.085 < 1.96$), so H_0 is not rejected. This indicates that there is no positive and significant impact of job satisfaction on employee performance.

Hypothesis 5:

Based on the results in Table 10, it shows that the effect of organizational commitment on employee performance is significant, with the T-statistic value being greater than 1.96 ($2.742 > 1.96$), so H_0 is rejected and H_a is accepted. From this result, it can be concluded that there is a positive and significant impact of organizational commitment on employee performance.

Hypothesis 6:

Based on Table 11, it can be seen that there is an indirect and significant effect of transformational leadership on employee performance, with the T-statistic value being greater than 1.96 ($2.556 > 1.96$), so H_0 is rejected and H_1 is accepted.

DISCUSSION

The success of an organization or company is determined by its leader. A leader with a transformational leadership style has a vision for the future, is able to identify changes in their environment, and implements those changes within the organization. Based on the findings from the first hypothesis, it can be concluded that this has an impact on employee job satisfaction, leading to job dissatisfaction among employees. Based on the findings from the second hypothesis, it can be concluded that the potential impact of decreased employee performance due to transformational leadership is a decline in the company's performance, leading to losses for the company. This decrease in performance may reduce the company's revenue and have an impact on all areas of the business.

Based on the results from the third hypothesis, it can be concluded that transformational leadership has a significant impact on organizational commitment. The impact is positive because employees who are more committed to the organization tend to show a reduction in withdrawal behaviors, increased citizenship behaviors such as putting in extra effort, helping coworkers, and supporting the organization, as well as improving overall work productivity, which brings benefits to the organization as a whole.

The company's safety is ensured by implementing a career development system, good supervision, positive relationships among coworkers, motivational attitudes from supervisors, and fostering an optimal physical work environment. As a result, employees work as hard as possible and always strive to provide the best service to customers. This indicates that employee performance is at a relatively high level. Therefore, the company must make every effort to avoid employee job dissatisfaction, as it can have negative impacts that could harm the organization, such as frequent absenteeism, employee turnover, theft, decreased motivation and commitment, employee stress, decreased performance, and in the most extreme case, employees leaving the organization and spreading negative information to others.

An individual's contribution to the organization is key to maintaining the organization's continuity. Organizational commitment is interpreted as a strong desire to remain a part of the organization and strive to achieve its goals. Furthermore, this commitment includes acceptance of the values and beliefs upheld by the organization. In other words, this attitude reflects the employee's loyalty to the organization and their commitment to the continuous success and progress of the organization.

Based on the results of the fifth hypothesis, it can be concluded that organizational commitment has a significant impact on employee performance. This indicates that when employees enhance their commitment to the organization, they tend to exhibit proactive behavior and demonstrate more organizational citizenship behaviors, such as improved performance, support for colleagues, and advocacy for the organization's interests. This is closely linked to indicators of organizational commitment, such as affective commitment, which encompasses the emotional state of employees to join, adjust, and directly integrate into the organization; continuance commitment, which involves the commitment based on the rewards expected by employees to remain in the organization; and normative commitment, which includes the employees' sense of obligation to stay in the organization. As a result, the company benefits from higher productivity, which ultimately benefits the entire organization. Based on the findings of the sixth hypothesis, it can be concluded that the indirect effect of transformational leadership on employee performance is accepted. This is due to the organizational commitment and job satisfaction variables as intervening variables that strengthen the cause-and-effect relationship and enhance the accuracy of predictions in the research.



CONCLUSION

The success of an organization largely depends on its leadership. Transformational leadership, which involves having a clear vision for the future, identifying changes in the environment, and implementing these changes within the organization, has been found to impact employee job satisfaction. However, in this study, it was concluded that transformational leadership negatively affects job satisfaction, leading to employee dissatisfaction. This dissatisfaction may result in decreased employee performance and, consequently, negatively impact the company's results, including lower income and potential damage across various sectors.

Additionally, the research found that transformational leadership significantly influences organizational commitment. Employees who are more committed to the organization tend to show less withdrawal behavior, engage in more citizenship behaviors, and increase overall productivity. This, in turn, benefits the organization. The indirect effect of transformational leadership on employee performance was also found to be significant, as organizational commitment and job satisfaction acted as intervening variables that strengthened the cause-and-effect relationship and improved the accuracy of the study's predictions.

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