

## The Effect of Transformational Leadership on Employee Performance Mediated by Organizational Climate

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### Abstract

*This study aims to determine and analyze the effect of transformational leadership on employee performance with organizational climate as a mediating variable. The type of research used in this research is explanatory using a quantitative approach. The population of this study was employees of the Batu City Land Office. The sampling technique uses total sampling. The sample used was 50 respondents at the Batu City Land Office. The data collection method for this study used a questionnaire. The data analysis technique in this study used path analysis using the SmartPLS software. The results of the study show that transformational leadership has a positive effect on employee performance; Transformational leadership has a positive effect on organizational climate; Organizational climate has a positive effect on employee performance.*

**Keywords:** *transformational leadership, organizational climate, employee performance*

### Abstrak

Penelitian ini bertujuan untuk mengetahui dan menganalisis pengaruh kepemimpinan transformasional terhadap kinerja karyawan dengan variabel mediasi iklim organisasi. Jenis penelitian yang digunakan dalam penelitian ini adalah explanatory dengan menggunakan pendekatan kuantitatif. Populasi penelitian ini adalah pegawai Kantor Pertanahan Kota Batu. Teknik pengambilan sampel menggunakan total sampling. Sampel yang digunakan sebanyak 50 responden pada Kantor Pertanahan Kota Batu. Metode pengumpulan data untuk penelitian ini menggunakan kuesioner. Teknik analisis data dalam penelitian ini menggunakan analisis jalur dengan menggunakan SmartPLS. Hasil penelitian menunjukkan bahwa kepemimpinan transformasional berpengaruh positif terhadap kinerja karyawan; Kepemimpinan transformasional berpengaruh positif terhadap iklim organisasi; Iklim organisasi berpengaruh positif terhadap kinerja pegawai.

**Kata kunci:** kepemimpinan transformasional, iklim organisasi, kinerja pegawai.

### INTRODUCTION

Every organization certainly expects success. To achieve this success, organizations need quality human resources. Human resources (HR) is the most important thing that must be considered for its development because the presence of good and professional HR will greatly assist in maximizing the performance of an organization (Mangkunegara, 2007). An interesting problem to study in human resources is the performance problem. Performance is interpreted as work performance or as the level of achievement of an employee. Employee performance has a very large function in maintaining the

#### Article info

Received (15/01/2023)

Revised (10/02/2023)

Accepted (30/03/2023)

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sustainability of an organization. Performance is a fundamental barometer in an organization. In every organization engaged in any field, the benchmark for its success is the performance of the organizational actors themselves. Employee performance is the result of work in quality and quantity achieved by an employee in carrying out his functions in accordance with the responsibilities given to him (Evikasari, 2020)

One of the factors that greatly influence employee performance, of which is the leadership factor, according to Suwatno, (2019) Leadership is the ability to influence others in achieving goals enthusiastically. Research conducted by Prawira (2019) concluded that there is a positive and significant influence of transformational leadership style on employee performance. In addition to leadership factors, organizational climate is also considered a factor that can affect employee performance. Organizational climate is a relatively constant quality of the internal environment experienced by members of the organization and influences the behavior of each of its members (Wirawan, 2009). In the research conducted by Kustrianingsih et al., (2016) shows that the organizational climate variable has a positive and significant influence on employee performance. Meanwhile according to Prawira, (2019) concluded that there is a positive and significant effect of transformational leadership on organizational climate. If organizational climate can affect employee performance, the company must pay attention to this influence. If the company does not immediately pay attention to this matter, it will have an impact on employee performance. Research conducted by Prawira, (2019) describe that there is a positive and significant influence between transformational leadership on organizational climate. Meanwhile, according to research conducted by Hermanto, (2018) there is a positive and significant influence between organizational climate on performance.

The phenomenon that occurs in the Land Office of Batu City is that there are a number of employees who are not optimal at work due to a lack of mastery of their main tasks and functions, employees lack the skills in accordance with their duties. Employees who have carried out their work assignments sometimes do not show the expected results or achieve targets not according to the time allotted. This happens because employees have poor work enthusiasm, which have an impact on completing assignments that are not on time according to the targets set by the office leadership. Based on this phenomenon, the researchers conducted a study to explore the influence of transformational leadership on employee performance with organizational climate as a mediation variable.

## LITERATURE REVIEW

According to Jufrizen et al., (2018) performance is the result of work that can be achieved by a person or group of people, in accordance with their respective authorities and responsibilities, in an effort to achieve goals legally, no violate law and follow standard and ethics. According to Sutrisno, (2016) Performance is a person's success in carrying out tasks, work results that can be achieved by a person or group of people in accordance with the authority and responsibility of each or about thow somebody must act and behave corresponding with duty which given to him. According to AA Anwar Prabu Mangkunegara., (2017) employee performance indicators are tools to measure the extent to which employee performance is achieved. Here are some indicators to measure employee performance as follows: quality, quantity, execution of duties and responsibilities.

According to Yukl, (2015) transformational leadership style is a type of leader who inspires his followers to put aside their personal interests and has extraordinary influencing abilities. Meanwhile, Danim (2004) describe transformational leadership is the ability of a leader to work with or through other people to optimally transform organizational resources in order to achieve meaningful goals in accordance with predetermined achievement targets. According to Yukl (2015) there are several

indicators of transformational leadership style including: charisma, inspirational motivation, intellectual stimulation, and individual attention.

According to Wirawan (2009) organizational climate is the relatively ongoing quality of the organization's internal environment, experienced by members of the organization, influencing their behavior and can be described in terms of a set of organizational characteristics or traits. Indrasari, (2017) argued that organizational climate is the relative environmental quality of the organization experienced by its members, where it has an effect on their behavior and how the organization functions properly. According to Wirawan, (2007) there are several indicators of organizational climate as follows: workplace and equipment that supports work, the relationship between superiors and subordinates, relationships between co-workers, division of workload, morale. Research by Ria (2020), Kustrianingsih et al (2016). Showing that transformational leadership has a positive and significant effect on performance. Research by Asbari et al (2020), Laeli (2017), Prawira (2019) show that transformational leadership has a positive and significant effect on climate organization. Based on previous research, hypothesis in this study was:

**H1:** Transformational leadership has a significant effect on employee performance.

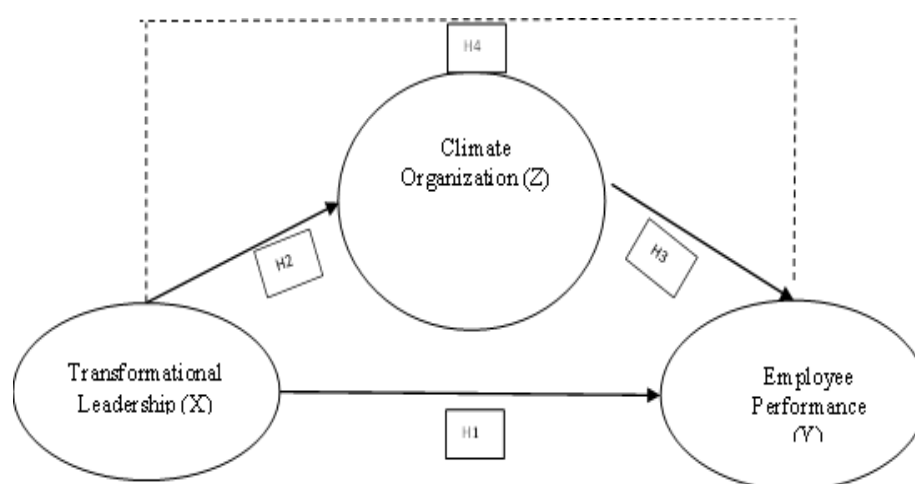
**H2:** Transformational leadership has a significant effect on organizational climate.

Research by Heriana et al (2018), (Hermanto, 2018), Prawira (2019) show that organizational climate has a positive and significant effect on employee performance. Based on previous research, the researcher wrote the hypothesis that the same :

**H3:** Organizational climate has a significant effect on employee performance.

Research by Laeli (2017), that organizational climate can mediate the relationship between transformational leadership on innovative behavior, moreover, Asbari et al (2020) showed transformational leadership has a positive and significant effect on organizational climate, and in Yasin (2020), shows that organizational climate affects performance. Based on research previously, the proposed hypothesis was:

**H4:** Organizational climate can mediate transformational leadership on employee performance.



**Figure 1.** Research Framework

## RESEARCH METHODS

The location of this research will be carried out at the Ministry of Agrarian Affairs and Spatial Planning / Land Agency of Batu City which is located on Jl. Mawar No. 12, Songokerto, Kec. Batu, Batu City, East Java 65312. Types of research used in this research is explanatory. The population of this study were all employees of the Batu City Land Office with a total of 50 employees. This research uses sample total. Sampling where the entire population of 50 employees is used for research. Data collection techniques used in this study directly by using a questionnaire. The data analysis technique used is SEM Structural Equation Modeling using smartPLS software version 3.0. Scale likert for measurement variable used in this research.

## RESULTS AND DISCUSSION

The results of respondents' characteristics showed that respondents in this study had more male employees with an age range of 31-40 years of education, employment status dominated by PNS and PPNPN, length of work majority 4-6 years. Details of respondents' demographics can be seen in the following table:

**Table 1.** Characteristics of Respondents

Category	Item	Total (50)	Percentage
Gender	Man	31	62%
	Woman	19	38%
Age	< 20 years	8	16%
	20-30 years	11	22%
	31-40 years	21	42%
	41-50 years	10	20%
Employment status	PNS	30	60%
	PPNPN	20	40%
Length of service	1-2	7	14%
	2-3	6	12%
	> 3	4	8%
	>4	30	60 %

*Source: Data processed by the author (2022)*

The distribution of respondents' answers on the variables of transformational leadership, organizational climate and employee performance used in answering descriptive analysis on the scale range can be seen in the following table:

**Table 1.** Scale Range Result

Transformational leadership	Employee Performance	Organizational Climate
Well	Very high	Very good

*Source: Data processed by the author (2022)*

Based on the results of the scale range analysis regarding the transformational leadership variable with 50 respondents having an average index of good, while for employee performance having an average index of very high, and the organizational climate having very good index. The researcher presents the results of the analysis in the form of an image of the SmartPLS output model.

**Table 2.** Outer Loading Value

Variable	Indicator	Items	Outer Loading	Test results
Employee Performance	Quality	Y1	0.771	Valid
		Y2	0.773	Valid

Variable	Indicator	Items	Outer Loading	Test results
Transformational Leadership	Quantity	Y3	0.767	Valid
		Y4	0.770	Valid
	Implementation of Tasks	Y5	0.816	Valid
		Y6	0.863	Valid
		Y7	0.847	Valid
	Charisma	X1	0.733	Valid
		X2	0.794	Valid
X3		0.842	Valid	
X4		0.810	Valid	
X5		0.815	Valid	
Organizational Climate	Work Place and Supporting Equipment	Z1	0.787	Valid
		Z2	0.802	Valid
	Relationship between Superiors and Subordinates	Z3	0.734	Valid
		Z4	0.728	Valid
	Relations Between Colleagues	Z5	0.776	Valid
		Z6	0.793	Valid
	Workload Sharing	Z7	0.766	Valid
		Z8	0.782	Valid

Source: Data processed by the author (2022)

Based on table 2, overall good indicators of employee performance (Y), transformational leadership (X) and organizational climate (Z) have an outer loading value of more than 0.7 so that these indicators can be declared valid. The next convergent validity test is to find out the Average Variance Extracted (AVE), where the variable can be declared valid if the AVE value is above 0.5. The results of the AVE calculation can be described in table 3 below:

**Table 3.** Average Variance Extracted (AVE) Value

Variable	AVE	Test results
Employee Performance (Y)	0.643	Valid
Transformational Leadership (X)	0.639	Valid
Organizational Climate (Z)	0.595	Valid

Source: Data processed by the author (2022)

From the table above it can be concluded that all variables have an average variance extracted (AVE) value above 0.5 which indicates that the variable meets the validity test criteria and can be declared valid.

**Table 4.** Discriminant Validity Values

Items	Transformational leadership	Employee Performance	Organizational Climate
X1	0.733	0.164	0.129
X2	0.794	0.338	0.351
X3	0.842	0.434	0.398
X4	0.810	0.421	0.381
X5	0.815	0.274	0.273
Y1	0.216	0.771	0.313
Y2	0.218	0.773	0.313
Y3	0.212	0.767	0.248
Y4	0.258	0.770	0.417

Items	Transformational leadership	Employee Performance	Organizational Climate
Y5	0.341	0.816	0.362
Y6	0.469	0.863	0.503
Y7	0.548	0.847	0.490
Z1	0.187	0.302	0.787
Z2	0.398	0.440	0.802
Z3	0.262	0.320	0.734
Z4	0.161	0.345	0.728
Z5	0.317	0.398	0.776
Z6	0.457	0.295	0.793
Z7	0.313	0.346	0.766
Z8	0.361	0.531	0.782

*Source: Data processed by the author (2022)*

Based on the data in the table above, it can be concluded that each indicator on the research variable has the largest cross loading value on the variable it forms compared to the cross-loading value on other variables. Based on the results obtained, it can be stated that the indicators used in this study have good discriminant validity in compiling their own variables.

**Table 5. Composite Reliability & Cronbach' Alpha**

Variable	Composite Reability	Cronbach's Alpha	Information
Transformational leadership	0.898	0.864	Reliable
Employee Performance	0.926	0.910	Reliable
Organizational Climate	0.922	0.904	Reliable

*Source: Data processed by the author (2022)*

Based on these results, the research instrument items are said to be reliable. Based on the results of the analysis of the outer model with the data reliability test in the table above using composite reliability, it was found that all composite reliability values met the reliability criteria of a composite reliability value of 0.6 - 0.7 which was considered to have good reliability (Ghozali, I., & Latan, 2015). The table above shows that all research items are reliable, with Cronbach alpha results > 0.6. Therefore, the variables transformational leadership, employee performance and organizational climate are reliable and can be used for the next level of analysis.

**Table 6. R-Square**

No	Variable	R <sup>2</sup>
1	Employee Performance (Y)	0.313
2	Organizational Climate (Z)	0.174

*Source: Data processed by the author (2022)*

The table above shows that the employee performance variable has an R-square value of 0.313 which indicates that 31% of the employee performance variable (Y) is influenced by transformational leadership variables and organizational climate variables. Whereas the organizational climate variable

(Z) has an R-square value of 0.174 which indicates that 17% of the organizational climate variable is influenced by leadership.

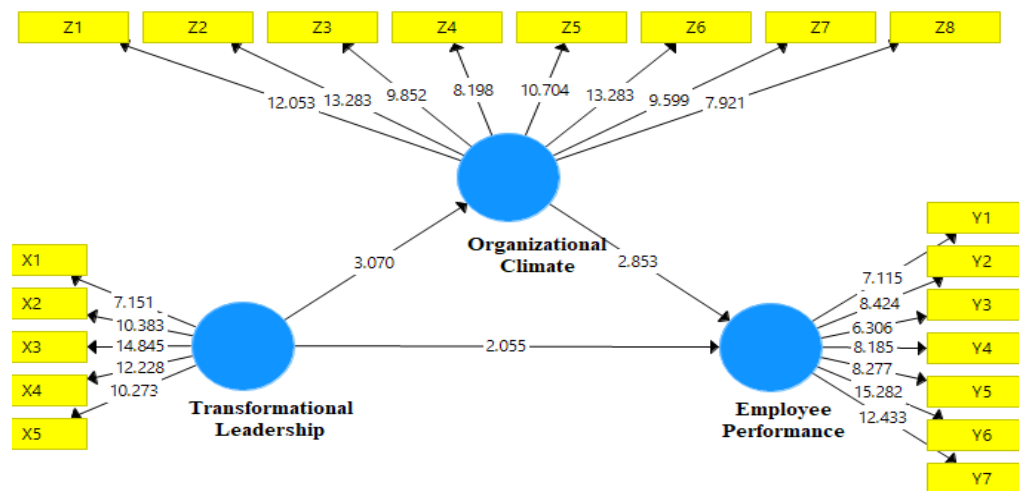


Figure 2. Result of PLS

Table 7. Direct Effect Hypothesis Test (*Path Coefficients*)

Hypothesis	Original sample	sample Means	Standard Deviations	T Statistics	P Values	Information
Transformational Leadership → Employee Performance	0.284	0.311	0.138	2.055	0.040	Significant
Transformational Leadership → Organizational Climate	0.417	0.453	0.136	3,070	0.002	Significant
Organizational Climate → Employee Performance	0, 378	0.391	0.132	2,853	0.004	Significant

Source: Data processed by the author (2022)

From the table above it can be concluded that transformational leadership has a direct effect on employee performance, transformational leadership has a direct effect on organizational climate and organizational climate has a direct effect on employee performance and has a t-statistics value > 1.96 and a p-value <0.05, this means that all three stated to have a significant effect. To test the mediating variable hypothesis, a hypothesis test for indirect influence was carried out using the PLS 3.0 auxiliary program which can be presented in the following table:

Table 8. Indirect Effect Hypothesis Test (*Specific Indirect Effect*)

Hypothesis	Original Sample	Sample Means	Standard Deviations	T Statistics	P Values
Transformational Leadership → Organizational Climate → Employee Performance	0.157	0.175	0.079	1,983	0.047

Source: Data processed by the author (2022)



From the table above it can be concluded that transformational leadership influences employee performance through organizational climate and has a t-static value  $> 1.96$  and a p-value  $< 0.05$  which means that it has a significant effect, organizational climate has a role as a partial mediation so that the presence or absence of an organizational climate is not a problem for transformational leadership affecting employee performance. Based on the results of the study, it shows that transformational leadership has a significant influence on the performance of employees at the Land Office of Batu City. This means that the better transformational leadership is implemented, the employee's performance will also increase. The level of ability to work will be determined by the form of leadership in carrying out its functions. Employees will have high performance if they are supported by good leadership in carrying out their functions. These results are in line with research conducted by Ria (2020), Kustrianingsih *et al.*, (2016), and Rouf (2021), which states that transformational leadership has a positive and significant impact on employee performance.

Based on the results of the study, it shows that transformational leadership has a significant influence on organizational climate at the Land Office of Batu City. Transformational leadership is one of the efforts in directing people to be willing and able to work to achieve a set target in an organization. With good transformational leadership, it is expected to be able to create a good organizational climate as well. These results are in line with research conducted by Asbari *et al.*, (2020), Laeli, (2017), and Prawira (2019) which states that transformational leadership has a positive and significant effect on organizational climate. Based on the hypothesis test, it is known that organizational climate has a significant influence on employee performance at the Batu City Land Office. The high or low performance of employees in carrying out their duties will be determined by the merits of the organizational climate felt by employees in carrying out their duties. If the better and more conducive organizational climate at the Batu City Land Office, of course, will improve the performance of employees in carrying out their duties. These results are in line with research by Heriana *et al.*, (2018), Hermanto (2018), and Prawira (2019) which states that organizational climate has a positive and significant effect on employee performance.

It is shows that organizational climate mediates the effect of transformational leadership on employee performance. This means that the better the implementation of transformational leadership, the better organizational climate will be created and the impact on improving employee performance. So that organizational climate can be expressed as a partial mediation in the relationship of transformational leadership on employee performance. The influence of organizational climate can mediate the relationship between transformational leadership and employee performance. The level of organizational climate at the Batu City Land Office is fairly good, the increase in organizational climate is due to good transformational leadership. An excellent organizational climate also affects employee performance can be seen from the targets that must be handled so much but the employee is able to complete according to the target that has been set. The results of this study are in line with research conducted by Laeli, (2017), that organizational climate can mediate the relationship between transformational leadership on innovative behavior, in research by Asbari *et al.*, (2020), that transformational leadership has a positive and significant effect on organizational climate, and on research conducted by Yasin, (2020), indicating that organizational climate affects performance.

## CONCLUSION

Transformational leadership has a significant effect on the performance of Batu City Land Office employees. This shows that the better the transformational leadership, the higher the employee performance. Transformational leadership has a significant effect on organizational climate at the Batu



City Land Office. This shows that the better the transformational leadership will further improve the organizational climate. Good transformational leadership at the Batu City Land Office can make the organizational climate at the Land Office better and more conducive. Organizational climate has a significant effect on employee performance at the Batu City Land Office. This shows that the better and more conducive organizational climate at the Batu City Land Office will improve employee performance in carrying out their duties. Organizational climate can mediate the relationship between transformational leadership and employee performance at the Batu City Land Office. This shows that the better the transformational leadership will affect the organizational climate, with a good and conducive organizational climate can improve employee performance.

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