The Influence of Transformational Leadership and Organizational Commitment on Job Satisfaction and Employee Performance

H. M. Thamrin

Abstract—The objective of this study is to analyze the influence of transformational leadership and organizational commitment on job satisfaction and employee performance. The respondents of this study are the employees of shipping companies in Jakarta, Indonesia that has been working for at least 5 years which amounted to 105 people. The data analysis technique used in this study is Structural Equation Model (SEM). The results show that: 1) transformational leadership has a positive significant influence on organizational commitment, 2) transformational leadership has a positive significant influence on employees' performance, 3) transformational leadership has no positive significant influence on job satisfaction, 4) organizational commitment has a positive significant influence on job satisfaction and employees' performance, and 5) job satisfaction has a positive significant influence on employees' performance.

Index Terms—Transformational Leadership, Organizational Commitment, Job Satisfaction, and Employee Performance.

I. INTRODUCTION

The amount of Indonesian citizen and the growth of shipping industry in each province have been growing rapidly. The demand for sea transportation is rising from time to time, not only for its quality but the quantity also. Therefore, one of the factors that support the fulfillment of demands is the provision of adequate human resources in Indonesian shipping companies. The progress or deterioration of a company without the support of high quality human resources would not run optimally. One of the supports that hold an important role is the dimension of human resources. According to [1] the importance of human resources existence in an organization is not solely related to its strategic role in deciding the dynamic of the organization, it is also meant to be an asset for the organization.

Therefore, a qualified leader which has the ability to utilize company’s resources optimally and to aim employee’s activities to achieve company’s objectives is needed. The triumph or insolvency of an organization is partly decided by the quality of the leadership. One of the methods that can be used to negate this issue is by applying transformational leadership model. Transformational leadership is defined as leaders that transforms the value, needs, aspirations, followers’ priorities and also motivates their followers to exceed expectations [2]. Several studies regarding transformational leadership often found that the implementation of transformational leadership can be used in several different organizations, situations, level, analysis and cross-culture [3]-[6] developed a leadership theory based on the main construct which consists of: transactional leadership and transformational leadership. Transactional leadership and transformational leadership is developed based on Maslow’s opinion on basic human needs. A lower level employee’s needs such as physical needs, safety and affiliation can be fulfilled by practicing transactional leadership. On the other hand, to fulfill a higher level of employee’s needs like dignity and self-actualization is only possible by practicing transformational leadership. Transformational leadership is an ability that possessed by leaders to influence their subordinates to raise awareness on the importance of work results, prioritizing group significance, and to raise the needs of their subordinates to a higher degree to achieve better quality of life [6]. The transformational leadership style could bring significant changes that brings effect to employee’s performance. For that matter, [7] developed a concept of transformational leadership which based on the concept by [8], but Bass did not use transforming leadership and use transformational leadership instead. Therefore, the leadership orientation which stated by Bass is not centered on leadership process.

But just like other developing countries, job has become more and more complex and demands intellectual from time to time. For the sake of sea transportation business’ progress, shipping company in Indonesia needs a good understanding of motivation, behavior, and performance that urges continuous example to deliver organization performance. One of the key elements to sustain effective performance is leadership quality. [9] noted that there are still large numbers of managers in shipping companies that are still largely practicing authoritative style of leadership that holds the responsibility to raise the social status, involvement, motivation and private loyalty of employees to their manager.

One of the ways to support transformational leadership implementation is to build organizational commitment. Organizational commitment is the loyalty of employee to their organization and is a continuous process, in which the employees are also participating in declaring their attention on the existence and the success of the organization [10]. Organizational commitment consists of three components which are: (1) the unity and objective of company’s values,
(2) the willingness to stay together in the organization and
(3) the readiness to work hard in the name of organization.
Several researches related to organizational commitment
will widely imply on job satisfaction, absence, disloyalty,
employee turnover and the willingness to get achievements

Job satisfaction issue has attracted several researchers’
attention. Job satisfaction is the difference between things
that have been expected and things that have been accepted
in relation to available alternatives in a decided situation.
Job satisfaction is applied on organization and individual
level. A low job satisfaction in an organization is a
combination of the declining of task implementation, the
progressing rate of absence and the declining level of
organization’s morality. On the other hand, on individual
level, low job satisfaction are usually related to high level of
desire to quit the job, the rising level of job stress, and the
emerging of physical and psychological issues.

Performance is defined as the result from a person’s
effort which achieved by the presence of effort, ability and
task perception [12]. Effort is the result of motivation,
satisfaction, and organisational commitment that shows the
amount of energy (physical and mental) used by an
individual in initiating a task. While effort is an individual’s
characteristic in doing a task. An effort is usually not
directly influenced on short-term period. Task perception
are pointers or clues in which individuals believe that they
can materialize their efforts into their jobs. According to [13]
employee performance are notes of achievements which
resulted from a certain task in a certain period of time. In
addition, a manager’s performance can be seen from output,
product quality, productivity, cost management, safety and

Several former researches which related to
transformational leadership is generally tried to compare the
outcome of transformational leadership and transactional
such as performance and how effective is an organization.
According to [14], a research on leadership usually stresses
more on transformational leadership. A research in this field
has been well-conducted in finding the right concept on the
effective style of leadership and also contextual terms that
should be created so the process can be done effectively [4],
[15].

There is a connection between transformational
leadership with behavior and job, such as job satisfaction
and organizational commitment [15]. The findings on
empirical studies and meta analysis show that there is an
involvement between employees with transformational
leadership such as: satisfaction, efficiency, motivation and
commitment on their organization and behavior [16]-[18].

References [16] conducted a study on the influence of
transformational leadership training on basic-unit
performance. Performance is measured with the level of
private loan selling and the level of credit card selling. They
found that basic unit with a manager who attended
transformational leadership training shows a higher
performance than those who did not. Based on that issue, it
can be concluded that this research aims to analyze the
influence of transformational leadership and organizational
commitment on job satisfaction and employee performance.
This research also tries to fill the gap that has not been
conducted on previous researches.

II. LITERATURE STUDY AND HYPOTHESES

A. Transformational Leadership, Organizational
Commitment and Performance

The idea of transformational leadership model is
developed by James MacGregor Burns which had applied
this model on political context and continuously shaped and
introduced into organizational context by [19]. It is believed
that transformational leadership can be directed to superior
performance in an organization that faces renewal and
transformation demands. Transformational leadership tries
to create conducive climates for the development of
innovation and creativity. The difference of opinion is often
seen as common phenomenon. The leaders urge their
subordinates to create new ideas and creative solutions for
the problems they have. For that matter, subordinates are
highly involved and made efficient in problem and solution
formulating processes. Individual attention that has been
done by a transformational leader is a one of the reason that
the leaders have the ability to build trust and respect to
motivate their subordinated to exceed expectation [20].

Organizational commitment is a way to identify and
involving oneself in an organization and wish to be a
permanent member of an organization [13]; according to
[21] there are three components in organizational
commitment which consists of: (a) affective, that whose
employees’ willingness to involve their selves and to
identify their selves with the organization because there is a
common ground in organization values, (b) continuance,
commitment that arises from the anxiety on losing benefits
of an organization, (c) normative, commitment that emerges
from the employees that feel the needs to stay in the
organization. These three commitments has been tested by
[22] which shows many possibility. Transformational
leadership is probably showing a strong positive
relationship with affective because it gives a strong feeling
and adequate support to motivate subordinates staying in the
organization, while contingent reward is probably positively
related to continuance commitment because there is an
anxiety of losing benefits when leaving the organization
[23].

References [24] and [25] found that transformational
leadership has a strong influence on subordinates’
organizational commitment. The research that has been
conducted by [26] on 90 middle high schools in Singapore
showed that transformational leadership factors has an
influence on organizational commitment.

H1a. Transformational leadership has a positive significant
influence on organizational commitment.
H1b. Transformational leadership has a positive significant
influence on employees’ performance.

B. Transformational Leadership and Job Satisfaction

Transformational leadership has forward vision to initiate
innovations and influence to achieve success by giving
inspiration and activating subordinate to perform better than
expected. According to [7] transformational leadership can raise subordinates’ performance by (1) the raise of subordinates’ awareness on how importance expected results are, (2) asking individuals to prioritize others over one self, and (3) transform subordinates’ level of needs or widen subordinates’ needs. Employees’ satisfaction shows attitude and behavior of subordinates on their leader. A satisfied person will do positive things and contributes to the manager to achieve organization’s objectives while an unsatisfied person will develop a negative attitude and will not be willing to help the manager to achieve organization’s objectives. Transformational leadership will be more reliable in rising employees’ satisfaction because with the three dimensions influence it will help to develop pride, attention, respect and the feeling to create ideas as a facility for self actualization which leads to the rising level of subordinates’ satisfaction [25].

Several researches have also showed a significant influence between leadership style and job satisfaction. Studies that have been conducted by [22],[23],[27] stated that transformational leadership has a significant influence on subordinates’ level and satisfaction. In addition, a study conducted by [25] tested transformational leadership on subordinates’ satisfaction. The result showed that there is a positive additional influence of transformational on subordinates’ satisfaction. While [28] ensure that the organization will be willing and accepting transformational leadership if adaptation is its main objective.

H2. Transformational leadership has a positive influence on job satisfaction.

C. Organizational Commitment, Job Satisfaction and Employees’ Performance

Employees’ commitment on organization gives a higher level of possibility for employee to participate in achieving company’s objectives process. If a company can achieve an objective, it goes without saying that the employees will be satisfied on such results. Several other researches such as [3] using nurse staff as a sample hired by major hospital in Singapore found a positive relationship between transformational leadership and organization commitment. Reference [29] found a relationship between organizational commitment with job satisfaction, moderated by job experience and gender. While several other researches have tested the relationship between organizational commitments with employees performance such as [30]-[32] stated that organizational commitment and employees performance has a positive relationship.

H3a. Organizational commitment has a positive influence on job satisfaction.

H3b. Organizational commitment has a positive influence on employees’ performance.

D. Job Satisfaction and Employees’ Performance

References [33] stated that job satisfaction is an affective or emotional response on one’s job aspect. By that definition, job satisfaction is involving a person’s positive feeling on his/her job. The same thing is stated by [34] that job satisfaction is a positive or negative attitude of an individual on his/her job. An employee satisfaction shows the attitude and behavior a subordinate on his/her leader. A satisfied person will do a positive thing by helping their leader in achieving organization’s objective.

According to [35] from several conducted researches, it can be identified that there are twenty kinds of different performance information objectives that can be classified in four categories: (1) evaluation which stresses on individual comparison, (2) a development that stresses on transformations inside an individual by initiating oneself in a period of time, (3) system maintenance, (4) the documentation of human resources decisions. This information can be used as background for the manager to decide policies and other programs related to employees performance. Reference [36] reported that transformational leadership has a positive influence on employees’ satisfaction and performance.

H4. Job satisfaction has a positive influence on employees’ performance.

III. RESEARCH METHODOLOGY

The method used in this research in survey method by giving questionnaire to respondents and by conducting interviews. The object of this research is permanent employee in shipping company in Jakarta, Indonesia. Primary data is used in this study which was obtained specifically by direct interaction with issues at hand. Other data is obtained by questionnaire and interviews. This study also used secondary data from many literatures, journals, previous researches, magazine, and other documents and archives that may be needed for this research.

Population in this study is all of the permanent employees in five different shipping companies in Jakarta, Indonesia. Maximum Likelihood Estimation that is used in Structural Equation Model (SEM) requires at least five observations for each indicator [37] which therefore means that if there are 21 indicators, it can be formulated that the amount of sample is 5 x 21 = 105 people. The amount of sample of this study is 105 people. The technique used to obtain sample is by random sampling with the criteria such as: permanent employees that has been working for at least 5 years in shipping companies in Jakarta, Indonesia. Questionnaire is given away by asking written questions and interviews on respondents. The measuring scale in this research is 7 points scale. The questionnaires were given away to 110 respondents and only 105 are accepted. The amount of the samples used in this study is in accordance with [37] that a research using SEM technique requires a number of 100-200 for samples.

IV. RESULTS AND DISCUSSION

A. Results

Characteristics of respondents in this research shows that there are: 25 people (24%) with the age ranging from 20-30, 45 people (43%) with the age ranging from 31-40, 29 people (28%) with the age ranging from 41-50 and 6 people (5%) with the age above 50. In addition, education level of respondents are ranging from magister degree 2 people (1%), bachelor degree 4 people (3.8%), diploma degree 19
people (18%) and high school 84 people (8.8%).

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<th>TABLE I: LOADING FACTOR BY USING CONFRMATORY FACTOR ANALYSIS</th>
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On another note, the result of this research also shows that: (1) transformational leadership variable has high index of 75.86 which means that the respondents are longing for meaningful transformation for the company, (2) organizational commitment variable has high index of 82.12. This shows that employees have already shown their commitment to their organizations to support the implementation of transformational leadership. Moreover, job satisfaction variable has high index of 79.39 which means respondents’ view on job satisfaction shows that there are high hopes for job satisfaction if transformational leadership is implemented. Performance variable has a high index of 78.91 which means respondents’ view on performance shows a high level of performance. Table I shows the developed measurement model in this research by deciding each valid estimated indicator with measuring every dimension from the tested concept. The result for every indicator in this model is significant and it can be concluded that loading factor for all are accepted and therefore can be used in this research.

The test result by processing data using AMOS 4.10 can be seen in Fig. 1.

Based on Table II above it shows all of the hypotheses are accepted except for hypotheses 2.

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<th>TABLE II: PATH COEFFICIENTS (STANDARDIZED REGRESSION) BETWEEN VARIABLES</th>
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<td>Path Coefficients Between Variables</td>
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<td>Transformational Leadership --&gt; Organizational Commitment (H1a)</td>
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<td>Transformational Leadership --&gt; Employees’ Performance (H1b)</td>
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<td>Transformational Leadership --&gt; Job Satisfaction (H2)</td>
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<td>Organizational Commitment --&gt; Job Satisfaction (H3a)</td>
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<td>Organizational Commitment --&gt; Employees’ Performance (H3b)</td>
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<td>Job Satisfaction --&gt; Employees’ Performance (H4)</td>
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B. Discussion

From the result showed on H1a and H1b that transformational leadership has a positive influence on organizational commitment and employees’ performance. This result is supported by several previous researches. [25] stated that to grow organizational commitment on the member of the organization to change, the implementation of transformational leadership model is deemed necessary especially with behaviors that articulate vision, providing the right model, cultivating demand-objectives of the group, and individual support. It is also explained that transformational leadership has a positive significant influence on employees’ commitment within the organization. Moreover, [35] is advising organization to be giving more attention on contextual aspect and external environment of the organization.

The implementation of transformational leadership is well-fitted for transformational type of leader. According to [7] transformational leadership is fitting to be implemented in non-daily situation. While [28] ensure that the organization will be willing and accepting transformational leadership if adaptation is its main objective. This shows that the precision of transformational leadership style’s implementation will result into a successful attempt in making changes, in which changes to be better through its employees’ performance. The result of this also is also in line with research conducted by [38] that transformational leadership will be stressing more on incentives and can be used to raise employees’ performance and focusing on finishing tasks. The result finds that transformational leadership has no influence on employees’ satisfaction. This finding is in line with previous research such as [19] which stated that unsatisfied employees on status quo is a prerequisite on the necessity in using transformational leadership.

H3a and H3b tests result show that organizational commitment has a significant influence on job satisfaction and employees’ performance. The result of this study is supported by previous researches such as [3] which stated that organizational commitment can create job satisfaction and has an influence on performance. Moreover, a research
by [28] stated that organizational commitment is a consequence from job satisfaction, which means employees with high organizational commitment will influence job satisfaction.

H4 test shows that satisfaction has a positive influence on employees’ performance. This finding is supported by previous researches such as [39] which stated that job satisfaction has a positive influence on individual performance. The same finding from [40] which stated that job satisfaction can contribute certain characteristics on individual performance. Reference [41] has also found that satisfaction can help and maximize company’s profitability in long-term period. From several opinions regarding the right leadership style to be used today, it goes without saying transformational leadership is the right choice. While transactional leadership may be work in non-changing environment, transformational leadership will be well-fitted in a changing environment of an organization.

Transformational leadership has a forward vision to do innovations and the ability to reach certain achievements by giving inspiration and activating one’s subordinated to exceed expectations. According to [38] there are 4 dimensions on transformational leadership which are: idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. From these dimensions, a transformational leader has behavior integrity that should be giving an example about attitude, achievements, behavior and high commitment to their subordinates. The ability to motivate and to inspire by giving clear direction, objectives, challenges and pointers in solving problems can make subordinates become more excited. Leaders should create a creative and innovative atmosphere, pushing their subordinates to create ideas and contribute to their organization by solving strategic issues at hand. For that matter, leaders should also think about individual needs and priorities to obtain achievements, to have better career and better life, employees job satisfaction, internal and external, which leads to the notion that leaders should consider training, mentorship and award that will be giving satisfaction and performance upgrade on their subordinates.

According to [7] transformational leader has chances to raise their subordinates’ performance by: (1) the importance of subordinates’ consciousness on how important is the result, (2) asking each individual to prioritize the group from one self instead, (3) change the hierarchy of subordinates’ needs or widen subordinates’ needs. By then, transformational leader will obtain bigger subordinates’ commitment and pushing employees to prioritize their group above individual, role as a teacher, trainer or mentor can also activate the needs of dignity and self-actualization from subordinates.

Transformational leadership is using a tight bond between leaders and their subordinates, based on trust and commitment, not contract, so it can help to see how important it is to prioritize the group above individual issues through the growth of self-esteem, self-control and dignity. To be more effective, transformational leadership should also be supported by several conditions such as: (1) there are uncertain conditions in society, (2) a big social gap, (3) the existence of communication network to spread leaders’ messages (4) there are no practice in organization that will be limiting creativity, (5) an action on politic and religion field should be treated differently from business field [16].

In a changing condition, it is more fitting to implement a customized and correct behavior on every step of transformation process when using transformational leadership. If there is any old policy being used, it is manager’s job to create innovations to achieve organization’s objective even though this intervention will only be effective if the subordinates has active needs that change will be beneficial and satisfactory. Aside from that, managers’ success in initiation change depends on the ability to create a system that is not too rigid and overdone. This type of situation will make employees to be more flexible and following in case changes are about to occur within the organization.

A better working environment will make subordinates to be motivated to work harder with high performance. According to [36] employees’ satisfaction, employees’ performance and other criteria are influenced by leaders’ behavior pattern. Leaders are using a set of technique to strengthen the relationship between effort and performance in on their subordinates’ mind [42]. Because with transformational leadership that can cause subordinates to do a job more than expectation, because there is an influence from their leader [43].

There are several implications surfaced from the implementation of transformational leadership in an organization [44] such as: (1) implication on the company who has used transformational leadership from the leader and implemented it to the subordinates will personally affect them to do their best for the consumers, supplier and other community in the near future. Every existing components should do their best to utilize the resources and develop their employees, (2) implication of selection, promotion, and transfer. Transformational leadership can also influence leaders’ ability to carry their organizations to higher level of success in the near future, (3) implication on development, training that has been conducted first time can bring major different for the next career. Unfortunately, in this research it is found that transformational leadership has no influence on satisfaction. By that logic, in order to raise employees’ satisfaction, it is necessary to initiate transformational leadership that always be doing vision transformation, innovation and creativity, and aside of that effort, leaders should know the needs of their subordinates, because by fulfilling subordinates’ needs, the bond and commitment will be built between leaders and subordinates within the organization.

V. CONCLUSION

From previous explanations, it can be concluded that transformational leadership can be used to raise organizational commitment and employees’ performance. Transformational leadership cannot raise job satisfaction. Organizational commitment can raise job satisfaction and employees’ performance. On the other hand, job satisfaction can raise employees’ performance. It can be recommended that transformational leadership is a model that can be implemented in an organization based on the willingness to
move forward or the feeling of unsatisfied with present condition. In addition, transformational leadership model can be sustained by using flexibility approach, with objective to integrate the will of employees and other stakeholders into transformational leadership model. To build employees’ job satisfaction, transformational leadership model should pay more attention on internal and external reward for employees. Aside from that, leaders can give an example and always creating new ideas involving their employees in decision making. So it can be hoped that it will raise employees’ satisfaction which will imply to their performance. Moreover, the management of organizational commitment should also consider willingness and the same objectives aspects. This will build consistent level of employees’ emotional and commitment in agreement that made beforehand. It is also important to influence attitude and other’s feeling, be it individual or group in helping to direct and mobilize people and ideas into influencing and directing people through heed, trust, respect and agreement in order to achieve company’s objective. With good commitment and trust within the organization, it will influence employees’ performance.

To raise employees’ performance it can be obtained by giving a consideration and intellectual stimulation for individual and also charisma which will be able to make changes to better direction, for example by doing training, counseling, sustaining the frequency of interaction in order to achieve self-actualization.

This research also has its limitations, for example, the sample used in this research was only permanent employee so it can be considered not quite proportional to represent transformational leadership model on shipping company in general. For future research, the development on research instruments on transformational leadership, commitment organizational, satisfaction can be customized for different objects. In detailed, researchers are aware that the research instrument is still very limited and its customization is not reflective enough in real life. Methodologically, this research only relies on primary data so it’s highly advised for future researches to combine this data with more reliable secondary data.

REFERENCES


H. M. Thamrin is currently a lecturer and researcher at the University of Muhammadiyah Tangerang majoring in Management. He completed his Doctoral Program from Padjajaran University Indonesia. His area of expertise is in Human Resources Management.