

## **Employee Performance Based on Transactional Leadership Style, Employee Competence and Job Satisfaction**

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### **Abstract**

This study aims to examine the impact of transactional leadership style, employee competence, job satisfaction, and employee performance. The research follows a quantitative approach, utilizing a questionnaire with Likert scale responses from 1 to 5. Conducted at PT XYZ, the study employs purposive sampling, meaning respondents must meet specific criteria to have their responses accepted. The total sample consists of 100 participants. Data analysis was performed using the SmartPLS 4 software with the PLS-SEM (Partial Least Squares – Structural Equation Modeling) method. The findings reveal that transactional leadership style positively and significantly influences job satisfaction, employee competence has a positive and significant effect on job satisfaction, transactional leadership style positively and significantly affects employee performance, and employee competence also positively and significantly impacts employee performance. However, job satisfaction has a negative and significant effect on employee performance. It is hoped that readers will apply the positive insights from this research to enhance the company's sustainability.

Keywords: Entrepreneurship Education, Creativity, Entrepreneurial Mindset, Self-Efficacy, Entrepreneurial Intention

### **1. Background**

Employee performance plays a direct role in achieving the company's objectives, making it a vital element of human resource management. Highly productive employees can greatly improve overall business productivity and operational efficiency. Nonetheless, there exists a significant gap that warrants attention in the connection between employee performance and the fulfillment of organizational goals. From the standpoint of human resource management, assessing employee performance indicates how well employees align with the organization's expectations. Performance encompasses more than just productivity; it also includes qualities like initiative,

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creativity, and adaptability. Consequently, performance evaluations are a key tool in human resource management, enabling organizations to make well-informed decisions about promotions, employee development, and compensation distribution (Dessler, 2017).

As a manufacturer of bicycles and children's toys such as baby walkers and strollers, PT. XYZ must maintain the quality of employee performance and productivity, including reducing errors. An interview with PT. XYZ's production manager revealed that although there has been no decline in productivity, an average of 2% of production defects have been found in the past year. This can be detrimental to the company and is a major concern. An exploratory study conducted with 30 permanent employees in the production division of the multinational toy company PT. XYZ who had worked for more than a year involved a sample of 30 respondents. Sixty-seven percent answered no to the question about whether their superiors provide appropriate compensation for their achievements. Sixty-five percent responded that they lacked the skills required for the job. Sixty-one percent felt dissatisfied with their jobs.

Thus the research question that can formulate are:

1. Does transactional leadership style have a significant positive effect on job satisfaction?
2. Does employee competence have a significant positive effect on job satisfaction?
3. Does transactional leadership style have a significant positive effect on employee performance?
4. Does employee competence have a significant positive effect on employee performance?
5. Does job satisfaction have a significant positive effect on employee performance?

Contribution of this research is to give insight for industry context especially PT. XYZ can identify factors in employee performance related to transactional leadership, job satisfaction and employee competence.

## **2. Literature Review**

**Transactional Leadership Style** A transactional leadership style relies on incentives and sanctions to motivate subordinates (Akhigbe, Finelady, and Felix, 2014). This style fosters a clear exchange: leaders set tasks and expectations, and followers fulfill them in exchange for predetermined rewards or consequences (Northouse, 2016). Transactional leaders prioritize achieving specific goals and outcomes. They use a structured and organized approach to ensure work meets established standards (Yukl & Gardner, 2020). By providing active feedback, both positive and negative, they aim to influence compliance and productivity. This style has two key aspects: rewards and punishments (Yukl & Gardner, 2020). While competent employees are crucial to organizational success. They handle their tasks efficiently, contribute to goal achievement (Jukic, 2015), and adapt to change and challenges. Having the necessary skills leads to accurate task completion, increased productivity, and improved work quality. High levels of job satisfaction are associated with numerous benefits for both employees and organizations. Workers who are happy with their jobs tend to be more engaged, motivated, and committed to their work (Bakker & Demerouti, 2017). They are also more likely to experience higher levels of

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productivity and performance, which leads to improved organizational outcomes such as increased profitability and customer satisfaction (Bratton & Gold, 2017).

### **Transactional Leadership Style on Job Satisfaction**

Transactional leadership style can significantly and complexly influence employee job satisfaction. Fulfilling employee needs and expectations at work is closely linked to job satisfaction, which is a critical component of organizational success. Employees are more likely to be satisfied with their jobs when they see a direct connection between their efforts and actual compensation. Essentially, a transactional leadership style helps employees have a positive work experience and creates a friendly work environment characterized by trust and respect for each other. Study have shown that transactional leadership style has a positive and substantial impact on job satisfaction (Akhigbe, Finelady and Felix, 2014). These results demonstrate the importance of transactional leadership in shaping organizational perceptions, attitudes, and outcomes (Rahman, 2021).

**H1:** Transactional leadership style has a positive and significant impact on job satisfaction.

### **Employee Competence on Job Satisfaction**

Studies conducted by Choiriyah and Riyanto (2021), Ramadhan & Sinulingga (2021) show that competence has a positive and significant effect on job satisfaction. The results demonstrate a strong relationship between job satisfaction and competence, and the importance of building an environment where employees can develop critical skills and expertise. Organizations can cultivate a workforce that is not only competent but also satisfied with their work by investing in training and development initiatives aimed at improving competence. This will foster continued success and growth.

**H2:** Employee competence has a positive and significant effect on job satisfaction.

### **Transactional Leadership Style on Employee Performance**

Empirical research, such as previous studies conducted by Akhigbe, Finelady and Felix, 2014 dan Shah and Hamid (2015), found a positive and statistically significant relationship between transactional leadership and performance. Transactional leaders use their power through a system of rewards and punishments to motivate and guide their colleagues to achieve goals. In this process, leaders create clear performance standards, encourage compliance, and address deviations.

**H3:** Transactional leadership style has a positive and significant effect on employee performance.

### **Employee Competency on Employee Performance.**

Employees are more likely to succeed if they possess skills that better align with their job requirements. Consistently, previous studies by Katidjan, Pawirosumarto & Yuliani (2018). Pradnyana, Agung & Landra (2019)., and Dewi, et al. (2021). have shown that competency has a positive and significant impact on employee performance. These results demonstrate the importance of implementing employee development programs to improve competencies relevant to organizational goals.

**H4:** Employee competency has a positive and significant impact on employee performance

### **Job Satisfaction on Employee Performance**

Job satisfaction has a positive and significant impact on performance, supported by empirical evidence from studies conducted by Akhigbe et al. (2014), Ramadhan et al. (2021), and Amin (2022). The results indicate that employee satisfaction is key to improving organizational effectiveness and achieving desired performance outcomes.

**H5:** Job satisfaction has a positive and significant impact on employee performance.

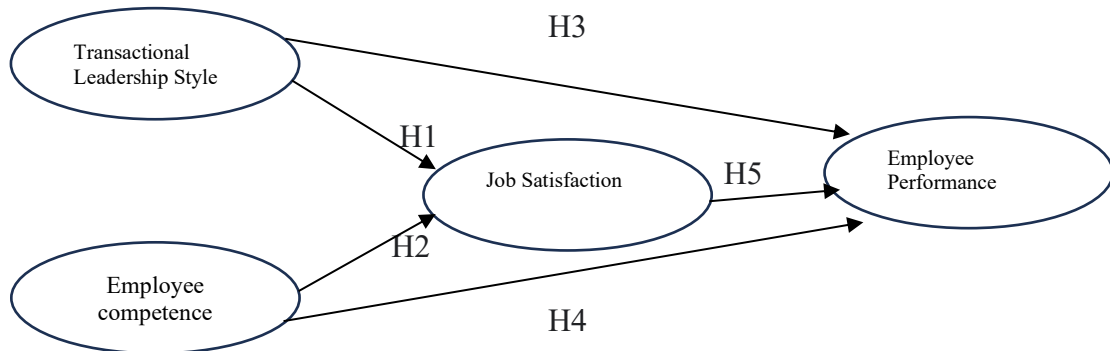


Figure 2.1. Research Method

### **3. Methodology**

This study uses theory, hypothesis testing, and models. Sekaran & Bougie (2016) said that quantitative research has more ability to explain a special problem. In quantitative research, positivism is understood, namely research based on actual facts. So that everything that happens is certain have a cause-and-effect relationship. The object method in this study employee performance. Then transactional leadership style as independent variable and job satisfaction as mediation. This study uses a non-probability sampling method used justified sampling. The sample in this study used 100 respondents with categories employee of production departement PT. XYZ that has been working minimum 1 year. All indicators adapted from Hair and Alamer

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(2022). Analysis data used Partial Least Square used Software SmartPLS 4.0. Questionnaire has 5-scale Likert scale with consideration easier for respondents who cannot answer and have ethics or who stated that filling out the questionnaire did not force respondents to answer agree or not.

### 4. Finding and Discussion

#### Profile of respondents

There are 100 respondents whose data is taken directly. As much 62 respondents were male and 38 female respondents. It can be explained that the employees in the production department of this factory require physical strength so there are more men. Respondent's age at this study There were 16 respondents aged under 25 (16%), 47 respondents aged 26-35 (47%), 27 respondents aged 36-45 (27%), and 10 respondents aged 46-55 (10%). The majority of respondents who were field workers had a high school/vocational high school education (86%), followed by a D1/D2/D3 education (14%). Respectively 23% respondents were single, and 77 % were married. 45% had worked at PT XYZ for 1-5 years, 54% had worked for 6-10 years, and 1% had worked for more than 10 years.

#### Outer Loading

Measurement model, validity testing in this study was measured using value of loading factor, convergent validity, and discriminant validity. The loading factor value must be can be greater than 0.7. Average Variance Extracted (AVE) value which must be greater than 0.5. the value of loading factors in this study has a value above 0.7. Testing the reliability of the data in this study using Cronbach's alpha and composite reliability to be able to test reliability. A data can be declared reliable if it has a composite reliability (CR) value greater than or equal to 0.7. Next, a table of validity and reliability results is shown for the actual sample of 100 fulltime employee from production department as shown in table 4.1.

Table 4.1. Validity and Reliability Result

Constructs	Outer Loading
Employee Competence : AVE : 0.588, CR : 0.821	
EC1	0.861
EC 2	0.801
EC 3	0.786
EC 4	0.824
EC 5	0.882
Transactional Leadership Style: AVE : 0.566, CR: 0.806	
TSL1	0.730
TSL2	0.812
TSL3	0.744
TSL4	0.828
TSL5	0.756

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Job Satisfaction AVE: 0.568, CR: 0.830	
JS 1	0.871
JS 2	0.882
JS 3	0.884
JS 4	0.762
JS 5	0.834
Employee Performance : AVE: 0.5860, CR: 0.828	
EP1	0.854
EP2	0.827
EP3	0.796
EP4	0.788
EP5	0.831

All variables can be said to be valid because the HTMT values obtained are all below 0.9 (Hair et al., 2019 and Ghozali, 2015). as seen on table 4.2.

Table 4.2. *Fornell-Larcker Criterion*

	TSL	JC	JS	EP
Transactional Leadership Style (TSL)	<b>0.722</b>			
Employee Competence (EC)	0.726	<b>0.752</b>		
Job Satisfaction (JS)	0.701	0.742	<b>0.746</b>	
Employee Performance (EP)	0.650	0.769	0.804	<b>0.816</b>

## Variance Inflation Factor Test

Sekaran and Bougie (2017) said multicollinearity is a condition where there is a correlation between dependent variables, to see multicollinearity it can be seen from the Variance Inflation Factor (VIF) whose value is more than 5 and will be more serious when it is more than 10.

Table 4.3. VIF Test

	VIF
Transactional Leadership Style (TSL)	3.86
Employee Competence (EC)	4.38
Job Satisfaction (JS)	4.49
Employee Performance (EP)	3.82

## The coefficient of determination

Test in assessing the structural model can be evaluated with the SmartPLS program by looking at the value for each endogenous latent variable as the predictive power of the structural model (Ghozali & Latan, 2015). The results represent the number of variants of the construct described by the model as seen on table 4.4.

Table 4.4. R-Square

	<i>R-square</i>
Employee Performance	0.66
Job Satisfaction	0.64

## Hypothesis Testing

Ghozali & Latan (2015) stated that an indication of whether a hypothesis is supported or not can be seen from the t-statistics. T-statistics were tested by one tailed test or one-way test with a significance level of 5%. The hypothesis is declared significant if the t-statistic must be more than 1.65 and use the t-value as a significant reference with a value that must be less than 0.05 as seen on table 4.3. Result shown all hypothesis are accepted.

Table 4.3. Hypothesis Testing

Hypothesis	<i>Path Coefficient</i>	<i>T-Statistic</i>	<i>p-value</i>	Result
H1: Transactional leadership style has a positive and significant impact on job satisfaction	0.386	4.126	0.000	Supported
H2: Employee competence has a positive and significant effect on job satisfaction	0.284	3.465	0.000	Supported
H3: Transactional leadership style has a positive and significant effect on employee performance.	0.394	3.582	0.002	Supported
H4: Employee competency has a positive and significant impact on employee performance.	0.282	3.661	0.004	Supported
H5: Job satisfaction has a positive and significant impact on employee performance.	0.287	1.121	0.007	Not Supported

## **Discussion**

The first hypothesis in this study is "Transactional leadership style has a positive and significant effect on job satisfaction." The data processing results for this hypothesis have demonstrated its validity. The original sample value of this hypothesis is 0.386, which is positive. The T-statistic is 4.126, which is greater than the T-table value for a one-tailed test, which is 1.645. The probability value (P-value) is 0.000, which is below the 0.05 significance level. The results of this hypothesis align with previous research by Darmanto & Supriyadi (2023). Therefore, based on this explanation, production workers at IPT. XYZ are likely to be a good fit for this hypothesis because they are closely tied to incentives, a form of appreciation from their superiors for performing demanding work in the field. Previous research findings with the same hypothesis include those by Rahman (2021), Akhigbe et al. (2015).

Based on the results of testing the 2<sup>nd</sup> hypothesis above, the results of the path coefficient test for the second hypothesis show that the original sample has a value of 0.284, so it can be concluded that the direction of the relationship between employee competence and job satisfaction is positive. Furthermore, the t-statistic results show a value higher than 1.65, namely 3.465 and p-values higher than 0.05, namely 0.00. This hypothesis is accepted among production workers because they rely on their knowledge and skills to complete often challenging tasks in various environments. Competent employees in the production department and those with more than a year of experience can handle technical issues that arise, which can then lead to satisfaction if they successfully resolve the issue using their basic skills. This study found that the higher the employee's competence, the higher the job satisfaction. Previous research findings with the same hypothesis include those by Amin (2022), Choiriyah & Riyanto (2021), Ramadhan et al., (2021).

The third hypothesis is "Transactional leadership style has a positive and significant effect on employee performance." Based on the results of the data processing conducted by the researcher, the hypothesis was successfully accepted. This hypothesis had an original sample size of 0.394, which is positive, indicating that the TLS variable has a positive effect on EP. This is followed by a T-statistic value of 3.582, which, based on the T-table, is considered to exceed the minimum one-tailed value (1.645), and is therefore considered valid. Furthermore, the P-value is 0.002, which is below the 0.05 significance level. Therefore, all values obtained for this hypothesis are accepted, thus the hypothesis is accepted. The significance of the data obtained is that if a superior has a good transactional leadership style, it can improve employee performance. Several previous researchers who also obtained similar results in this hypothesis include Shah & Hamid (2015), Almer et al. (2017), Woo, Boyle, Spector (2017). Based on the data obtained, it has been shown that the majority of PT. XYZ production workers tend to be motivated by this transactional style. The TLS variable has a positive effect on the EP variable, meaning that the higher the TLS variable, the higher the EP variable. The P-value is below the 0.05 significance level, with a P-value of 0.004. The hypothesis is accepted and aligns with previous research by Darmanto & Supriyadi (2023), which served as the primary reference journal for this study. Previous studies have also obtained similar results, such as those conducted by Suyitno et al.



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(2017). This hypothesis suggests that if employees have high competence, their performance will be higher. Logically, the higher a person's competence, the easier it is for them to accomplish tasks within their competence. In this case, competence itself can encompass a person's abilities in terms of experience, skills, and knowledge. When working, particularly for production workers in this study, it is crucial for workers to master their work, but they will always be guided and supervised by a field supervisor.

The fifth hypothesis is "Job satisfaction has a positive and significant effect on employee performance." In contrast to the four previous hypotheses, based on research conducted at PT XYZ, the data processing results yielded a hypothesis that differed from the reference by Teker (2016) and Ulrich & Dulebohn (2015).. In this study, the hypothesis "Job satisfaction has a positive and significant effect on employee performance" was not accepted or supported. The T-statistic value of 1.121 and the P-value of 0.019 met the standard, namely, the T-statistic exceeding the T-table value of 1.645 and the P-value exceeding the 0.05 significance level. However, the original sample showed a negative value, indicating that job satisfaction has a negative and significant effect on employee performance. The one-tailed hypothesis, which assumed job satisfaction had a positive effect on employee performance, was rejected based on the questionnaire results from respondents working in the production division of PT XYZ. Based on interviews with three workers regarding this hypothesis, the responses indicated that some production jobs only have a workplace within their work unit, so Job satisfaction tends to only influence employee loyalty to the company, so the acceptable hypothesis should not be that job satisfaction has a negative effect on employee performance, but rather that it has no effect.

## **5. Conclusion**

Based on the results of the collected and processed data, four hypotheses were supported, but one hypothesis was not. It can be interpreted that at PT. XYZ, Production department workers will experience increased job satisfaction when led with a transactional leadership style. Furthermore, the higher the employee's competence, the higher the employee's job satisfaction. Likewise, superiors who use a transactional leadership style can improve employee performance and employee competence. Logically, and this study has proven that higher competence leads to higher employee performance. However, unlike general research findings, the processed data from PT XYZ shows that job satisfaction does not have a positive effect on employee performance, but rather a negative one.

## **Managerial Implication**

To improve job satisfaction and employee performance. Organizational managers must adopt a leadership style that rewards and sanctions employees based on their performance to motivate them to perform better. By investing in human resources, specifically those working in the field, by properly guiding and directing them, while also adhering to the applicable code of ethics, they will have greater potential to improve their performance.

## **Research Limitation and Recommendation**

There are limitations in this study, where the limitations are based on the sample technique, variables, number of samples and time, and sample characteristics. In this study, only the variables in the research model were used. Meanwhile, there are other variables that can affect employee performance. This study is a cross-sectional study. Where, changes in sustainable innovation within a certain period of time cannot be further identified. This research uses the SmartPLS software with the PLS method. It is hoped that further research can use the SEM method to measure the structural model based on a strong theoretical study to be able to test the causal relationship between variables and to measure the feasibility of the model with empirical data.

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