

# The Effects of Transformational Leadership and Organizational Climate on Employee's Performance

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## The Effects of Transformational Leadership and Organizational Climate on Employee's Performance

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### ABSTRACT

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This study aimed to estimate the effects of transformational leadership style and organizational climate on employee performance. The object of research is all employees working in the Bureau of Personnel Membership and the Secretariat General of the House of Representatives with a population of 125 people, the sampling using the method of population (census) is to examine the entire population. The study used multiple linear regression models for estimation. The results showed that transformational leadership and organizational climate have positively significant effects on employee performance.

JEL Classification: J54; Q52; Q54.

Keywords: Transformational Leadership Style; Organizational Climate; Employee Performance.

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### 1. INTRODUCTION

Membership and Staffing bureau have a strategic position in giving an administrative endorsement through a provision of expert and competent human resources as what needed in Indonesian House of Representatives and strategic environment. Based on the decision of General Secretariat of Indonesian House of Representative number 400/SEKJEN/2005 about organization and working procedures of General Secretariat of Indonesian House of Representatives which had been changed a couple of times with General Secretariat of Indonesian House of Representative's regulation number 03/PER-SEKJEN/2-003, Membership and Staffing bureau are under and are responsible to the Deputy of Administration. In executing their duty, Membership and staffing bureau has functions of, implementing membership administration of council and faction, implementing staffing administration of General Secretariat of Indonesian House of Representative, providing education and training, and in providing health services. Where, the successful in implementing tasks and responsibilities within the agency depends on the performance of existing employees in the working unit. The employee's performance within Membership and Staffing bureau is very influential in achieving the objectives.

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Performance is the result or a person's level of success in their works according to specific criteria, both quality and quantity in implementing their duties and responsibilities (Basrowi, 2010). The good quality of employee's performance is related to the absence rate, working spirit, complaints, or vital problem in an agency. Employee is one of many crucial factor of production in an agency, imagine how hard it is for agencies to reach their objectives. By having a motivated and skilled employee, the employees hold the key to determine the progression or regression of an agency. Agency had has a very expensive asset, because basically human is the developing subject and object which is very important, so, increasing the quality of the human resource should become the first priority. Good performance should be accomplished by every agencies or organization because their performance is a reflection for their capabilities in organizing and allocating their employees, that is why the employee's performance has a significant influence for the implementation of agency's activities and for achieving the their goals.

According to the regression of the working performance of General Secretariat of Indonesian House of Representative's membership and staffing bureau's employees, which is the indicator of the improved administrative support from the member of the Indonesian House of Representative and fractions that punctual, accurate and recent which didn't fulfill the 96% demanded target, there might be a problem in the employee's

performance, such as leaving without permission in their operational working hour, responsibility that is not implemented properly, going back before the working hour finished or passive workers whom doesn't strictly obey the rules, or maybe the speed of finishing their task is not optimum, these facts gives impact to the quantity of the working capability to reach its objective. Other than the working speed, the capability of a worker also gives impact to the working out comes. Employees who do not have responsibility attitude in their work becomes the indicator of bad performance from the General Secretariat of Indonesian House of Representative's membership and staffing bureau. These are the main cause of declining performance from the employees.

Other than the internal restraint, to improve employee's performance we have to pay attention to the factors which influence it, such as, leadership style that could motivate the subordinates. For a leader, it is important to apply a leadership style in order to manage their subordinates, because a leader will greatly affect the success of the organization in achieving its goals (Waridin and Guritno, 2005). Transformational leadership style is an effective leadership style because it is required in any organization or firm in order to increase all employee's performance in achieving the implemented objectives. Other than the transformational leadership type, organizational climate also effect the employee's performance for example, the laws, policy, working method or required infrastructure. These aspects must be available and well established for employees to show their best performance. Anyone inside a good organizational climate will pose a great willingness to finish their duty and won't even hesitate to carry out any task beyond their role. The existence of a good organizational climate will improve employee's performance to become better and optimal. Organizational climate able to change the performance of organizations and becomes the indicator of vigorous working environment.

## 2. LITERATURE REVIEW

Bass et al., (2003) defines transformational leadership as an influencing process of major changes in the attitudes and assumptions of the members in the organization so that they will have commitment to the mission and goals of the organization. Therefore, transformational leaders will teach their followers to become a leader within themselves. A transformational leader encourages his subordinates to adopt the organization's vision into themselves. According to Irawati & Yuyuk (2013), there are four dimension of leadership, those are:

- Idealized Influence: Refer to the leadership behaviors that indicate the subordinates to try and work harder than what was envisioned. The leader and the subordinate particularly admire, respect and trust each other.
- Inspirational motivation: Are leaders who can stimulate subordinate's enthusiasm to the group task and may say things that can foster subordinate's trust and ability to complete their tasks and achieve group goals.
- Intellectual stimulation: Namely an effort to provide support to the subordinates so that they could be more innovative and creative. Where leaders encourage followers to ask assumptions, come up with ideas or new methods, and to replace the old approach with new perspectives way.
- Individual consideration: The leader gives special attention for every individuals to excel and improve, such as providing instructor, counselor, teacher, facilitator, or trusted individual.

Wirawan, (2007) defines the organizational climate as a collection and environmental trends that determine the appearance of motivation and focused on the perceptions that make sense or can be assessed. According to Wirawan, (2007) organizational climate has six dimension, as follows:

- Structure: organization structure reflect the good emotion in the organization and also has an important role as well as a clear responsibility within the organization. Highly structured if the member of the organization feel their work is well defined. Lowly structured if the member of the organization thinks that there is no clarity as to who perform the duties and has the authorities to make decisions.
- Standards: The standards in an organization play a big role in indicating emotional pressure to improve the quality of work and the prideful level of the organization level when doing a good job. High standards means, all member of the organization have to find a way to improve their performance. While low standards reflect low expectation of best performance.
- Responsibility: Responsibility reflect the employee's emotion if they becomes "the boss of their own" and doesn't need a legitimized decision from others member of the organization. Perception of high responsibility shows that

the member of the organization will feel motivated to solve their problems themselves. Low responsibility shows that any risk taking actions or any new approach trial is not to be expected.

- Recognition: Recognition indicates that the member of the organization feels appreciated if they are able to finish their tasks splendidly. Rewards faced with critics or punishment for completing their work. Organization climate that appreciates characterized work, the balance of reward and critics. Low rewards means that the completion of the tasks is not appreciated with consistent reward.

- Support: Support reflects trusted feeling and mutual support which continue to occur between the member of the organization. Highly supported if the member of the organization feels that they are part of a well functioned team and receiving assistance from their superiors if they finds trouble in executing their work. If the support is low, the member of the organization will feel isolated or the only one excluded. This dimension of organization climate becomes very important to a current business model, where the sources are limited.

- Commitment: Commitment reflect the members proud feelings to their organization and the loyalty level in achieving the organization's objectives. The feeling of strong commitment is associated to personal loyalty. While low level of commitment means that the employee feels apathetic to their organization and its objectives.

According to Mangkunegara & Prabu (2011) the performance is the result of the quality and quantity of work accomplished by an employee in performing their duties in accordance with the responsibilities given to them. According to Mangkunegara & Prabu (2011) there are some dimension in the working performance, which are: (a) Quality of work is the level achieved from the process or the results obtained in an activity that includes the near-perfection, precision, thoroughness, skill and cleanliness; (b) Working quantity comprehend the output that needs to be note, not only because the it is the routine output but also because they could finish extra works; (c) Able to do their job as well as keeping the reputation of the company. Whether they are relyable, able to follow instructions, initiative, careful, and diligent; (d) The mental preparation to respond to something either negative or positive. Involve attitudes toward the company, other employees or other job and well cooperation.

The framework which is used in this research can be seen in Figure 1, as follows:

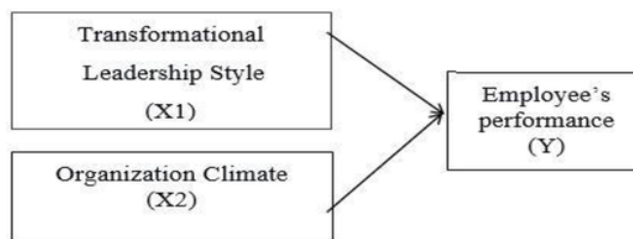


Figure 1.  
Conceptual Model

Leadership is one of the main keys that can be used to improve the performance of employees in the organization within a company. It will cause a big trouble if the leader in a company can not run and coordinate all the available resources, because it can lead a company to a difficult time establishing their goals. For that, leaders need to think and demonstrate appropriate leadership style in their application. According to Subhi (2014) a transformational leadership style gives a significant influence to the employee's performance. According to the above statement, the hypothesis could be defined as:

H1: Transformational leadership style gives a positive and significant influence to the employee's performance

According to the research made by Rofiatun and Masluri (2011) organizational climate has a positive and significant influence to the employee's performance. A structured organizational climate is required to increase the employee's performance to the maximum level. A structured organizational climate is expected to be able to increase the employee's resolve when performing their duties. With the existence of a structured organizational climate, it will pose a positive change to the employee's performance. This study is similar to the one Sukardiyono



made in 2013, he claimed that organizational climate has a positif and significant impact to the employee's performance. According to the above's statement, we could summarize the second hypothesis:

H2: Organizational climate has a positif and significant impact to the employee's performance.

### 3. METHODOLOGY

This study uses a casual design as the research's design. According to Sugiyono (2013), causal design is a design that aims to analyze the causal relationship between the independent variable (influencing variable) and dependen variables (affected variabel). The causal research design which is used in this study determines the effect of transformational leadership style and organizational climate on the employees of General Secretariat of Indonesia House of Representative's membership and staffing bureau's performance. The measurement scale used in this research is a Likert Scale where each 5 of alternative answers will be scored with a scale of 1 to 5. From strongly agree, agree, neutral, disagree, and very disagree. According to Sugiyono (2013) Likert Scale is used in measuring attitude, opinion, and in perception of social phenomenon. The population of this research are every government employees (PNS) in General Secretariat of Indonesia House of Representative's membership and staffing bureau that consist of 125 people and scattered into 4 working units which are membership, admin membership and fractions, center of education and training, and health care.

Sample is part of population that had been taken using certain way that has specific characteristics, clearly and completely, which could be considered representing part of the population. According to Sugiyono (2013), sample is part of the amount and characteristic that owns by the population. In determining the sample, the authors did not use sampling techniques since the sample studied is the whole of the population, or so-called census. So, the main sample of this research is every government employees (PNS) in General Secretariat of Indonesia House of Representative's membership and staffing bureau that consist of 125 people and which scattered into 4 working units which are membership, admin membership and fractions, center of education and training, and health care. The Technique of Collecting Data. In collecting data, the researching technique used in this research is library researc hand field research. Data analysis techniques is multiple linear regression analysis using IBM SPSS Statistics program Version 21.0

### 4. RESULTS AND DISCUSSION

Two different tests have been applied for testing the quality of data:

a. Validity Test: Based on the validity test results with the help of SPSS software, all statements are declared as valid under the provisions of the validity of the test by comparing the value of positif r-count with the magnitude of 0.3 and above.

b. Reliability Test: Reliability test results had a Cronbach's Alpha values > 0.6. so, it can be stated throughout the research that variables are reliabel.

Table 1. Result of Normality Test

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		125
Normal Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	4,80894470
	Absolute	,063
Most Extreme Differences	Positive	,063
	Negative	-,049
Kolmogorov-Smirnov Z		,702
Asymp. Sig. (2-tailed)		,708
a) Test distribution is Normal.		
b) Calculated from data		
c) Source: Source of Data processed		

Prior to regression analysis and according to Table 1, it could be seen that the significance value is above 0,05 which is 0.708. It could be concluded that the residual data is distributed normally and the regression model has also met the normality requirement.

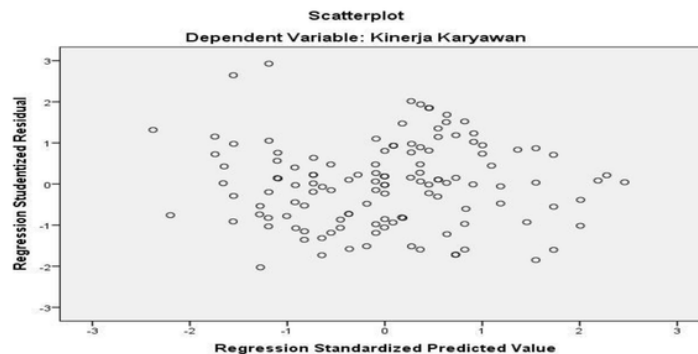
**Table 2. Result of Multicollinearity Test**

Coefficients <sup>a</sup>		16
Model	Collinearity Statistics	
1 Transformational Leadership Style	Tolerance	VIF
Organizational Climate	,751	1,332
	,751	1,332

a. Dependent Variable: Employee's Performance

Source: Source of Data processed

According to Table 2 above, it could be seen that the variability of the transformational leadership style shows tolerance value of 0,751 and the VIF value of 1,332. The variability of Organizational Climate shows tolerance value of 0,751 and the VIF value of 1,332. In conclusion, very independent variable which are used shows tolerance value of >0,10 and VIF value of <10, this means that there is no Multicollinearity between independent variables that are used in the regression model.



Source: Source of Data processed

**Figure 2.**  
**Result of Heteroscedasticity Test**

According to the result of the *scatter plot* in Figure 2, it could be seen that the dots are not making any clear pattern and also, the dots are scattered above and below 0 inside Y axis, so it could be concluded that there is no Heteroscedasticity.

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**Table 4. Result of Coefficient of Determination ( $R^2$ )**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,670 <sup>a</sup>	,449	,440	4,848

a. Predictors: (Constant), Organizational Climate, Transformational Leadership Style

b. Dependent Variable: Employee's Performance

Source: Source of Data processed

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According to Table 4, it could be seen that the adjusted R-square is 0,440, this means that 44% of the variation from the dependent variable of employee's performance could be explained by both variation of the independent variables, which are the transformational leadership style and organizational climate. While the rest 56% could be explained by the other variables which are not included in this research model. For example, motivation variable, laboring discipline, compensation, and organization culture.

3  
Table 5. Result of F-Test

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	2336,814	2	1168,407	49,709	,000 <sup>b</sup>
Residual	2867,618	122	23,505		
2 Total	5204,432	124			

a. Dependent Variable: Employee's Performance

b. Predictors: (Constant), Organizational Culture, Transformational Leadership Style

Source: Source of Data processed

According to Table 5 it could be seen that the F value is 49.709 with the probability of 0.000; it means that the probability is below 0.05, while the F table value is 3.07; which means  $F_{\text{computed}} > F_{\text{table}}$  ( $49.709 > 3.07$ ), so that the regression model could be used to predict the employee's performance or as a conclusion, both the transformational leadership style and organizational climate influence the employee's performance, or in another words the model is correct.

Table 6. Regression Results

15 coefficients <sup>a</sup>					
Model	Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.
(Constant)	10,154	5,108		1,988	,049
1 Transformational Leadership Style	,398	,064	,485	6,255	,000
2 Organizational Climate	,393	,109	,280	3,605	,000

a. Dependent Variable: Employee's Performance

Source: Source of Data processed

According to Table 6, estimated t-values are higher than t table values; thus, beta coefficients of transformational leadership style and organizational climate are statistically significant meaning that 13 variables exert positively significant effects on employee performance. It is seen that transformational leadership style has higher effect on employee performance than that of organizational climate.

## 5. CONCLUSION

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This study aimed to estimate the effects of transformational leadership style and organizational climate on employee performance. According to the results of the analyses and the discussion that had been 22 one from the previous section, conclusions are as follows: (1) Transformational Leadership Style gives a positive and significant impact to the employee's performance specially in the General Secretariat of Indonesia House of Representative's membership and staffing bureau, this also means that if there are improvement in the transformational leadership style, the employee's performance will also improve, like wise, if there are some regression in transformational leadership style, the employee's performance will also get worsen. (2) Organizational climate also gives a positive and significant impact to the employee's performance specially in the General Secretariat of Indonesia House of Representative's membership and staffing bureau, this means if there are any increment in the organizational climate, the performance of the employees will also increase but if the organizational climate somehow decrease, the performance of the employees will also be diminished.

According to the results and the conclusion of this research, there are some suggestions that should be taken into consideration, which are: (1) The General Secretariat of Indonesia House of Representative's membership and staffing bureau as the government agency should increase their transformational leadership style by doing more interaction to all of their employees, and they should 13 motivate their employees more so that their employee could be able to innovate new ideas so that the currently used transformational leadership style would increase the employee's performance. (2) The condition of the organizational climate in the General Secretariat of Indonesia House of Representative's membership and staffing bureau should be more well established in order to create a more appropriate condition such as, the provision of adequate facilities, better infrastructure, they should deepen

the relationship as fellow employees so it could create a harmony working field and atmosphere, and also gives reward to the bright employees so that they could give more contributions in their performance.

(3) For the next researchers, who will conduct the next research in the same field, additional variables or explanators of employee performance can be added which are not included in this study such as motivation, labour discipline, compensation, working environment, or organization culture.

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