

## **Antecedents of Employee Performance**

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**ABSTRACT:** *This paper investigates the relationship between leadership style, organizational commitment and employee performance. The leadership style of organizational outcomes are differentiated into transformational and transactional leadership. The influences of transformational and transactional leadership on the organizational commitment and employee performance variables, that are organizational commitment and employee performance, are typified in our conceptual model. Therefore, this study looks into the mediating effect of organizational commitment on the relationship between leadership style variables and employee performance. We identified three organizational commitments from the extant literature to be included in our conceptual model; affective, continuance and normative. Propositions are given regarding the mediating effect of organizational commitment on the leadership style antecedents of employee performance. Future research directions are discussed.*

**KEYWORDS:** *Transformational, Transactional, Organizational Commitment, Employee Performance*

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### **I. INTRODUCTION**

Organization needs capable employees in handling their job better and faster. Therefore, employees of high job performance are required [1]. The important factors that determine employees' performance and organization capability to get about with the change of environment are leaders of environment are leadership [2,3,4]. Leadership denotes to the relationship between leader and follower and how the leader directs the followers will determine the followers' achievement to the objective or the expectation of the leader [3,4]. Future organization needs a leader who capable to get together the vision and mission, human resource and competitive strategy that creatively and innovatively be able to become a world class organization [5], that is to say an organization becomes good or bad depended on the leader's quality and other personnel's of the organization [6]. Leadership is an important factor in initiating and implementing the transformation within organization. Leadership can be defined as process of affecting activities in a group organized to achieve the goal. Leadership changes a potential to a reality and it becomes the main activity giving success to organization. Therefore, the importance of leadership is reflected as a function having potential value both individually and organizationally to achieve goal [7]. Leadership style is a process of affecting activities within an organized group towards the achievement of distinguished objective [8]. Leadership concept developed within organizations is transformational and transactional leadership concept made popular [9]. Both of the leadership concepts have a base on style, behavior and situation of a leader [3].

The consensus shared by academics is that leaders who have TFLs and TSLs take action to encourage desirable outcomes from their followers [10]. Current studies mainly focus on these two leadership styles, since they are considered more effective at influencing others [11]. As such, leadership research of hospitality management has focused on TFLs/TSLs theory, which was initially introduced [12], developed [9,13]. According [12], TFLs is characterized by a mutually-motivational relationship between leader and follower. Transformational leaders as leaders who motivate their followers to perform beyond expectations by activating followers' high order needs, fostering a climate of trust, and inducing followers to sacrifice self-interest for the sake of the organization [9]. Regarding leading employees, leaders with TFLs can be characterized as idealizing influencing attributes/behavior, inspiring employee motivation, and encouraging intellectual and individual stimulation [14,15]. Managers adopting TFLs can inspire subordinates to contribute to organizations in terms of higher ideals and concepts of morality. In other words, their subordinates would show trust, admiration, loyalty, and respect to their managers and feel that their work and performance are important to the company [16]. Conversely, leadership with TSLs involves contingent reward and management by exception [14,15]. TSLs describes the relationship between managers and subordinates in terms of exchanges of economic, political, and psychological values. The relationship is a temporary negotiation process instead of an enduring, purposeful one. The transactional leader rewards subordinates who meet agreed-upon performance standards [17]. Leaders who have TSLs as being focused on clarifying roles and guiding subordinates to achieve pre-determined goals based on rewards [9]. Indeed, leaders with TSLs only offer employees limited (if any) participation in decision-making or even none at all [18].

## II. TRANSFORMATIONAL, TRANSACTIONAL AND ORGANIZATIONAL COMMITMENT

Transformational leadership is the leader's ability to change work environment, work motivation, and work pattern, and work values that are perceived by the followers (subordinates) that they will be able to optimized performance to achieve organizational goal. It means that a transformational process takes place in leadership relation when the leader makes aware the followers of the importance of work values enrich and increase the needs over the personal interest and urge the change to jointly interest including organizational interest [2]. An interesting thing about a transformational leader is that the leaders' actions are symbolically meant to be more important than their real actions; the leaders' principle is more important than their actions. The same action may result two different purposes, the leaders play the role as a symbol that represent cause and effect of personnel's within social events [19]. The leader develops and directs the potential and competence of followers to achieve even to exceed the goal of organization [20]. A research [21] found that transformational leadership has relationship with affective commitment, but no relationship with normative commitment. The finding is supported [22] who conducted a research on 712 Boutique employees in 60 hotels which have Boutiques in Turkey that transformational leadership has significant relationship with organizational commitment of employees. The same findings also performed in his study with sample of 456 service companies in Uni Emirate Arab, that transformational leadership style has significant relationship with organizational commitment of employees in service company in Uni Emirate Arab [23].

Transactional leadership based on reward exchange principle between the leader and followers in which the leader expects reward of employees' high work performance and on the other hand the followers expect economic reward and appreciation from the leader [24]. Research findings [21] denoted that transactional leadership has positive relationship with affective commitment, moral commitment and commitment to keep joining with the organization. This finding is consistent to the study [25] that analyzed the relationship between leadership style and organizational commitment of the lecturers of State Universities. Survey approach was used to collect data from 151 lecturers of State universities in Nigeria who continued study on post graduate program in some colleges in Malaysia. This study found that transactional leadership style has significant influence toward organizational commitment of the lecturers (affective commitment, continuance and normative commitment). Transactional leadership style has positive relationship with organizational commitment and at least with organizational commitments which have employees becomes the main sources to determine organizational performance [26].

## III. TRANSFORMATIONAL, TRANSACTIONAL AND EMPLOYEE PERFORMANCE

A change within an organization is a good decision and required to face problems via a diagnostic process, hence, it is not a surprise if a transformational leader is an excellent diagnostic person, that transformational leader is a good diagnostic, providing time and effort to make diagnosis on problems of the whole aspects before resolution. Transformational leader will make diagnosis on the needs of individual in organization. An example, organizational case of education is students, parents and society in consideration. In some new plantings, process within organization and product produced are the whole from knowledge of transformational leader as a need relevant to organization mission [27].

Transactional leadership is a form of relationship that exchanges certain job if subordinates disable to work out their job well. So transactional leadership puts stress on the process of exchange relationship that is valuable economically to satisfy biological and psychological needs in accordance with the contract they have made. Transactional leadership is relationship between the leader and the subordinates based on the exchange or bargaining between the leader and employees (subordinates), and distinguishes clearly the role and job [2]. Transactional leadership is relationship of exchange that is advantageous between the leader and subordinates, the leader shows the similarity of positive or negative extrinsic reward to both sides [28]. Research result proved that transformational leadership has significant influence on employees' performance found in the study conducted [27]. The findings were consistent to the study result [29] on 1.019 employees who worked in national companies and multinational companies in Turkey. The research was conducted by using *e-mail* as an instrument of distributing questionnaires (survey) to the respondents, using regression analysis and used SPSS Ver.17.00. The research was intended to reveal the influence of leadership style (transactional, transformational dimension, and *laissez-faire*) and organizational commitment (superior commitment) as mediating variable toward organization performance. The research findings indicated that there was significant relationship between transformational leadership style and employees' performance. The same result was also denoted by the research [30] who studied 201 employees of security organization public sector in Israel. The research result of factor confirmatory found that transformational leadership style has significant influence on employees' performance.

Some studies conducted to explain the influence of transactional leadership style on employees' performance. Conducted a study on 102 employees in Shakarganj Mill Ltd. using analysis of SPSS 15.0 intended to search the impact of leadership style toward employees' performance [27]. The research result proved that transactional leadership has significant relationship with employees' performance. Conducted study on 1.019 employees who worked for national company and multinational company in Turkey. The research was conducted by using *e-mail* as an instrument of distributing questionnaires (survey) to respondent, using regression analysis and SPSS Ver.17.00. The research was intended to know the influence of leadership style (transformational and transactional leadership styles and *laissez-faire*) and organizational commitment (superior commitment) as mediation variable toward organizational performance [29]. The research findings indicated that there was significant relationship between transactional leadership style and employees' performance. The research difference was shown that transactional leadership style has no significant relationship toward employees' performance [30].

#### **IV. ORGANIZATIONAL COMMITMENT AND EMPLOYEE PERFORMANCE**

Commitment is a relative strength to identify the members of organization and employees' involvement withing organization. Furthermore, they define commitment toward organization as "nature" relationship of an individual with organization that make an individual to feel highly involved and being tied up with the organization [31]. Organizational commitment is about how far an employee stands on the side of the organization and the objectives including a feeling to maintain his membership within organization. High organization commitment is an implementation of employees' high involvement toward organization, commitment as predictor of individual performance [32].

Individual performance can be called job performance, work outcome, or task performance [33]. Performance of employee is individual, because each employee has different level of competence to perform a task. Management can measure employees based on their job performance. Performance is an action, not event. The action of performance consists of many components and not result visible at once. Basically, performance is something individually, because each employee has different level of competence in doing task. Performance depends on combination between capability, effort, and opportunity achieved that performance is work result of employee after doing job for certain period of time and it strengthens the work result during a period of time [34]. Employee's performance as result of effort and mind of an employee toward the job can be realized, visible, accountable, but in some instance, the result of effort and mind cannot be counted and invisible, such as ideas of solving a problem, new innovation of a product (goods or service). It can also be a finding on a more efficient job procedure. Some previous research shows that employees' performance is not only influenced by leadership style, but also by organizational commitment [27]. Transactional and transformational have relationship with various organizational results, such as satisfaction, team work performance, organizational performance, and organizational commitment [35]. Previous researches proved that there was significant relationship between transformational and transactional leadership style with organizational commitment of employees [36,37]. Organizational commitment of employees, organizational commitment is a key that determines the achievement of employees' performance and organizational performance [26]. That statement seems similar with the study conducted [27] to 155 polices in Islamabad, Pakistan, intended to explore the influence organizational commitment toward the performance of the polices, the research result indicated that organizational commitment (affective, continuance, and normative commitment) has significant influence toward performance of the polices.

#### **V. TRANSFORMATIONAL, TRANSACTIONAL ON EMPLOYEE PERFORMANCE. THE MEDIATING ROLE OF ORGANIZATIONAL COMMITMENT**

The role of organizational commitment as a full mediation was shown in the study [38] which was intended to explore leadership style as a maker of employees' performance by placing organizational commitment as a full mediation, 207 employees working in telecommunication sector in Pakistan using the technique of *convenient sampling*. The result of regression analysis indicated that organizational commitment as mediation in explaining the influence between transformational leadership and employees' performance, organizational commitment as full mediation. [14] Revealed that transformational leaders who encourage their followers to think critically and creatively can have positive influence on their followers' commitment. This is further supported [39] that transformational leaders can motivate and increase followers' motivational level and organizational commitment by getting involved to solve problems creatively and also understanding their needs. Moreover, employees are far more likely to be committed to the organization if they have confidence with their leaders.

## VI. CONCEPTUAL MODEL

A new paradigm in leadership attracts attention of social scientists. Transactional leaders are those who lead through social exchange. [21] States that leaders offer rewards for productivity or even no rewards of less productivity. Transformational leaders, in other instance, are those who touch and inspire the followers to be able to get good result in the process of developing the leadership capacity. This research builds a model as adopted conceptual framework of research and then develops the model from previous researches [38,29]. It is done by some reasons: (1) there was still inconsistency of findings in analysis of the relationship/influence between transformational and transactional leaderships toward employees' performance, that the research places organization commitment as *intervening variable* to explain the influence between transformational and transactional leaderships toward employees' performance. (2) There was a difference of finding and measure including analysis unit and research between transformational and transactional leaderships toward employees' performance mediated by organizational commitment of employees. (3) Some research findings indicated that the better the transformational and transactional leaderships, the higher the employees' performance caused by high organizational commitment. Therefore, it is still in question that transformational and transactional leaderships have influence on high employees' performance because of high organizational commitment of employees. Based on the reasons above, the conceptual framework of this research can be drawn as follow:

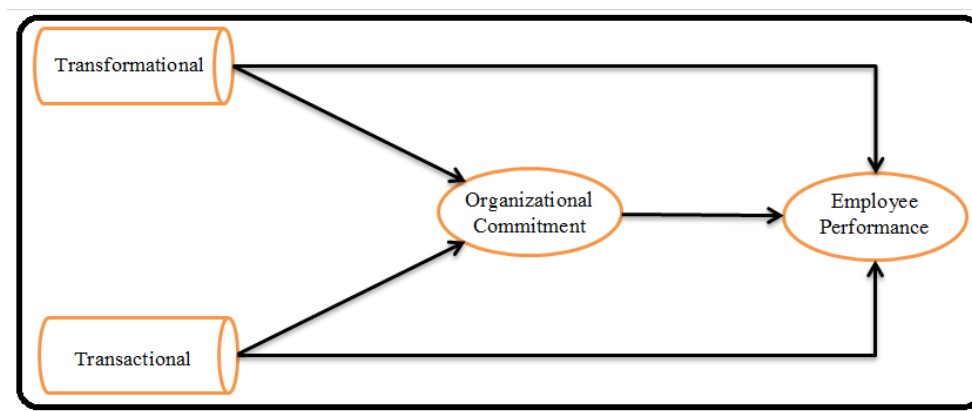


Figure: Conceptual model showing the correlational links.

Leadership style is a process of influencing activities of a group organized toward the achievement of goal [8]. Transformational leader assists the followers growing and developing to become a leader by giving attention to their needs individually by assigning jobs and put in parallel the followers and leader, group, even organization. More empirical evidences indicate that transformational leadership can mobilize the followers to achieve even exceed the expected performance, and result in a high commitment level to group and organization [21].

**P1:** The better the transformational leadership style and transactional leadership style the higher the employees' performance.

**P2:** The higher the organizational commitment the higher the employees' performance.

Employees of high commitment toward their jobs are those who have high performance, as employees who tend to participate to skill development, concentrate energy to career development, perform extra jobs and minimize tendency to leave their job [40]. The *work-related attitudes* such as commitment of an employee to the organization where he works to increase performance [33]. Organizational commitment is a feeling of being psychologically tied up based on three forms: affective, normative, and continuance commitment (the Three Component Model of Organizational Commitment) [41]. When an employee has high organizational commitment, it will strengthen the employee willingness to keep working at the organization even if other organizations support him to leave. It is clarified [33] that high commitment will not only reduce the absence and turnover but also increase the employee's involvement. Organizational commitment is the main source to determine organizational performance. Previous research denoted that employees' commitment is a very important asset for organization [26]. Organizational commitment is supposed as a very familiar concept in management because organization commitment is antecedent from employees' performance [29].

**P3:** The better the transformational and transactional leadership style, the higher the organizational commitment of employees.



**P4:** The better the transformational and transactional leadership style, the higher the employees' performance as mediator of the high organizational commitment.

## VII. DISCUSSION

This paper presents some statements and research findings collected from theoretical and empirical study, that the success of a leader in performing leadership can be seen from the success of affecting the aptitude, idea, feeling and attitude expected by the leader from the followers (subordinates). The condition is insufficient to increase the employees' performance, but the high organizational commitment of the employees the individual performance expected by the leader will be getting more increase and in accordance with the organization expectation. Good transformational and transactional leadership styles can increase the organizational commitment and employees' performance. Mediation effect of organizational commitment toward the relationship between antecedent of leadership style (transformational and transactional) and employees' performance is that the high increase of employees' performance is not only influenced by transactional and transformational leadership style but employees' performance can also be increase through the high organizational commitment of the employees. This paper efforts to feel the gap of effect from leadership style toward individual performance, by having organizational commitment as intervening variable to strengthen the influence of leadership style toward individual performance that the previous studies were still inconsistent to their findings.

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