TRANSFORMATIONAL LEADERSHIP AND JOB SATISFACTION: A QUANTITATIVE STUDY ON TEXTILE COMPANIES IN SOLO CENTRAL JAVA

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Abstract. The purpose of this study was to determine the effect of transformational leadership on job satisfaction, mediated by reward, which focuses on medium-sized companies in Central Java Province in Indonesia. Medium-scale companies have a different phenomenon in their leadership. In small-scale companies with a fairly simple problem complexity, the best approach to leadership is to use transactional leadership. Conversely, when the company is getting bigger, it should use transformational leadership. Thus, medium-scale companies need to test the right leadership model and we assume that leaders in medium-sized companies should start to focus on being transformational and start reducing transactional. To test the hypothesized model, this study used a survey questionnaire research design and a quantitative approach. Data collection by researchers was carried out by sending questionnaires to middle manager level employees (supervisors; managers) at 6 textile companies in Central Java Province via email. This shows that the data taken can be said to represent the condition of textile companies in Solo City, Central Java Indonesia. This study shows clearly that the transformational leadership style has a significant and positive effect on employee rewards. Furthermore, rewards have a positive and significant effect on employee job satisfaction.

Keywords: Transformational leadership, Reward, Job Satisfaction, Textile Companies


Kata kunci: Kepemimpinan transformasional, Penghargaan, Kepuasan Kerja, Perusahaan Tekstil

INTRODUCTION

The study of leadership has become crucial in recent times, especially in relation to employee performance. A leadership in the organization is very important to direct employees while reducing the uncertainty faced by employees, by creating clear objectives and encouraging the creation of creative thinking to solve existing problems (Aga, Noorderhaven, & Vallejo, 2016; Buil, Martínez, & Matute, 2019). In some organizations, transactional leadership is the right thing to do, this is because the scale of the organization is still small so that the focus of employees is still on a financial perspective. Usually this condition occurs in jobs with low uniqueness and low strategic value (González-Cruz, Botella-Carrubi, & Martínez-Fuentes, 2019). So that in some cases, a direct connection between transactional leadership and the ability to think innovatively does not occur and job satisfaction from employees is only due to the exchange relationship from a financial perspective (Lengnick-Hall, Lengnick-Hall, Andrade, & Drake, 2009; Sethibe, 2017). Therefore, it can be concluded that organizations with a small space can focus on transactional leadership, and when the organization becomes larger in scope and relies on a knowledge base as the basis for its operations, it is better to use transformational leadership (Amor, Abeal Vázquez, & Faíña, 2019). The interesting thing that becomes the question is what about organizations that are still in a transitional stage? Where the scope of the organization is no longer small, but not too large, organizations like this are found in many developing countries, where these countries are focused on developing small medium enterprises (SME's). So that the scope of the organization is no longer small, but still cannot be said to be a large organization. Study that conducted by Leonard (2016), states that in the context of a medium-scale organization, coaching is needed for employees to improve performance, so that in these conditions an organization needs more transformational leadership.

This study tries to raise issues that occur in textile companies in Indonesia, the growth of the textile industry in the world is predicted to grow. This condition is inseparable from the development of the textile industry in developing countries such as the Republic of Indonesia. The provision of Central Java especially in the city of Solo as one of the textile centers, contributes to contributing GDP to the Republic of Indonesia in the field of textiles. This is supported by the large textile needs of the domestic and
international markets which make the textile industry's opportunity to increase. To pursue domestic needs, textile entrepreneurs prefer the process of importing textiles from Asian countries, this condition is due to the productivity of the textile industry in Indonesia has not been able to meet market needs. Various factors supporting productivity, such as: technology, raw materials, supply chains and labor (employees) were studied by several previous researchers, but not many have focused on how these employees can produce good productivity when they are satisfied and their needs are fulfilled.

One of the main objectives of a company can be achieved if the employee has job satisfaction with his organization (Jin, Seo, & Shapiro, 2016; Saether, 2019). Because employees who are satisfied with their work will be willing to try so that the main goals of the organization can be achieved. Employee satisfaction can be achieved by several stimulus given by the company based on the performance achievements of each employee, one of which is in the form of reward (Scott, Jiang, Wildman, & Griffith, 2018). Acceptance of rewards for employees is inseparable from the role of transformational leadership styles that try to appreciate the achievement of the performance of the appropriate employees. Fulfilling the need for attention to the results of innovative thinking is an important thing to pay attention to in the context of transformational leadership, especially in the scope of developing countries such as Indonesia, where the character of high power distance is still very strong so that employees in an organization tend to avoid confrontation and prefer to harbours feelings pessimistic about work (Banik, Gao, & Rabbane, 2019; Milliken, Morrison, & Hewlin, 2003). Therefore, the ability of a leader to motivate and provide emotional support will be considered an intrinsic reward in an organization, where employees are given the responsibility and authority to be able to solve organizational problems (Islam, Furuoka, & Idris, 2020; Muafi, Fachrunnisa, Siswanti, El Qadri, & Harjito, 2019).

**LITERATURE REVIEW**

**Hypothesis Development.** This research is trying to combine the transactional leadership theory and transformational leadership theory. Transactional leadership theory defines that, there is a characteristic of behavior and situation that involve the exchange between leader and followers, so that the followers can get benefit from it (Bass, 1990). This kind of leadership commonly used for a short term only and involves motivating followed by directing the followers. In other word, the power of the leaders comes from the authority and the responsibility in the organization, this leadership was work on assumption that the employees are motivated by the right amount of reward and punishment (Nikezic, Puric, & Puric, 2012). Some researchers define rewards that influence performance achievement. Reward is inseparable from how leaders objectively see employee performance achievements and support the culture of appreciation for the company. Islam et al. (2020); Qiu, Alizadeh, Dooley, and Zhang (2019) specifically stated that one of the factors that influence job satisfaction is leadership, where the level of job satisfaction, commitment to reward and employee performance are inseparable from the role of superiors towards subordinates. Based on Nikezic et al. (2012) this kind of leadership work best for the
problem that are simple and clear, so when the problem gets complicated and the company getting bigger, the transactional leadership should be change to the transformational leadership.

While transformational leadership focus on the process in influencing change in attitude, belief and values of the followers in order to get to the objectives that the company needed (González-Cruz et al., 2019). Good attention and relationships from the leadership to subordinates, can improve employee job satisfaction so that employees will feel themselves an important part of the organization (Islam et al., 2020; Muafi et al., 2019), furthermore she said that transformational leadership influences employee job satisfaction where a match between leadership style and teamwork will affect the performance of the team led. Based on the description, the first hypothesis in this study is transformational leadership has a significant effect on employee reward acceptance.

Dewi (2012) and Rivai (2009) define the factors needed as a source of job satisfaction including: interesting work, opportunities for achievement, obtaining awards and promotions. The fulfillment of these factors will lead to satisfaction, but by not fulfilling this factor does not always result in dissatisfaction. Whereas dissatisfaction is the factors that become the source of dissatisfaction including salary / wages, supervision, relations between employees, working conditions and work status.

Jena, Pradhan, and Panigrahy (2018) states that transformational leadership influences employee job satisfaction, because this type of leadership can motivate employees. This finding is supported by Han, Lee, Beyerlein, and Kolb (2017) which states that, transformational leadership influences job satisfaction, this is reflected when leaders can make employees work satisfied. Previous research such as Nguyen, Mia, Winata, and Chong (2017); Ramsey, Rutti, Lorenz, Barakat, and Sant’anna (2017) stated that transformational leadership is a leader behavior that can encourage employees to act on internal motivation to achieve high performance. The concept of leadership is described by Xirasagar (2008) where transformational leadership styles include: idealized influence, inspirational motivation, intellectual simulation, individual consideration. Transformational leadership will make subordinates are given authority and are encouraged to creatively and innovatively question their beliefs, assumptions, values, and change attitudes when needed, as well as the courage to take risks when needed (Abugre, 2017; Gupta & Shaheen, 2017; Gupta, Singh, & Bhattacharya, 2017), without being judged when making mistakes (Griffioen, Doppenberg, & Oostdam, 2017; Khasawneh, Omari, & Abu-Tineh, 2012). This finding is reinforced in a previous study by (Bai, Lin, & Li, 2016) which stated that, transformational leadership created a dynamic organizational vision to create an innovation. Transformational leadership has an influence on employee job satisfaction in manufacturing companies. The statement is supported by Buil et al. (2019) stating that transformational leadership influences employee job satisfaction because this type of leadership can motivate employees. González-Cruz et al. (2019) in their research showed that transformational leadership style is related to employee effectiveness and satisfaction. This is reinforced by Nurjanah et al (2020) which states that, transformational leadership style influences employee job satisfaction and the higher employee job satisfaction will have an impact on increasing the competitive advantage of
a company in the future. Based on the description, the second hypothesis in this study is that transformational leadership has a significant effect on employee job satisfaction.

Reward as part of an appreciation of the achievement of the work of an employee is a right that should be accepted (Ding, Li, Zhang, Sheng, & Wang, 2017; Muafi et al., 2019). Acceptance of rewards can be a representative of employee satisfaction when in accordance with the organization's agreement. Some researchers define job satisfaction is a positive feeling about the work and a result obtained, which is the result of evaluating the characteristics of work. While Ilahi et al (2017) states that job satisfaction is an emotional attitude that is pleasant and loves his job. Robbins (2008) tries to measure factors in job satisfaction, namely the nature of work, supervision, current pay and rewards, promotion opportunities and coworkers. Based on the description, the third hypothesis in this study is a reward that has a significant effect on employee job satisfaction. The relationship between research variables is described in the research conceptual model in Figure 1.

Based on the above suggested by many authors theoretical background and the research, the following research hypotheses are formulated:

H1. Transformational leadership has a significant direct impact on the reward
H2. Transformational leadership has a significant direct impact on the job satisfaction
H3. Reward has a significant direct impact on the job satisfaction.

**Figure 1. Conceptual Model**

**METHOD**

To test the hypothesized model, this study uses a survey questionnaire research design and a quantitative approach. Data was collected from respondents who were employees of textile companies at the supervisor and managerial level in the city of Solo, Central Java which is registered with the Office of Industry and Trade of the Republic of
Indonesia. The measurement scale used in this study is a Likert scale. Likert scale is used to measure attitudes, opinions and perceptions of someone about social phenomena, where the answers to each instrument item have gradations (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, (5) strongly agree Data collection by researchers is done by sending questionnaires to employees of the middle manager (supervisor; manager) level at 6 textile companies in Central Java Province via email. The number of companies that responded were 4 companies (66.6%), with a response rate of 48 respondents. This shows that the data taken can be said to represent the condition of textile companies in Central Java Province of the Republic of Indonesia.

The measurement variable in this study uses several indicators as measuring knives of social phenomena, namely: Transformational leadership (X1) includes: Idealized influence, Inspirational motivation, Intellectual stimulation, Individual consideration, which are represented in 12 questions. Reward (X2) includes: Extrinsic factors and Intrinsic factors which are represented in 6 questions. And Job satisfaction (Y1) includes: Job Promotion, Job Relations, and Job Characteristic which are represented by 9 questions. The indicators are selected based on their suitability with the object under study, namely textile companies in the Central Java region of the Republic of Indonesia.

According to (Hair, Black, Babin, & Anderson, 2017), before multivariate data analysis, we must examine assumptions about sample size, variable scale, multicollinearity, their multivariate normal distribution and outliers. Because the sample used less than 100, it is recommended to use Partial Least Square (PLS) analysis (Hair, Hult, Ringle, & Sarstedt, 2014a; Hair, Ringle, & Sarstedt, 2011). According (Hair, Hult, Ringle, & Sarstedt, 2014b), we can use the Likert scale and the Maximum Likelihood method in PLS.

RESULTS AND DISCUSSION

Result. All companies have permits from the local government for the production process. Textile production was chosen as a sample because textile products are one of the superior products of the province and have quite good growth in this country. In addition, textile products contribute to the GDP of the Republic of Indonesia. Finally, the response rate of 66.6% is used to map the influence of leadership on the company and the effect on the acceptance of awards and employee job satisfaction, which is expected to improve performance in the future.

The measured (observed) values for the questions, measured variables of the model, which are used as indicators of the respective latent constructs (factors). Table I describes the results of the criteria using Partial Least Square by involving Composite variables on the indicator, Validity test, and Reliability using the Product moment and Cronbach alpha. Whereas then the latent variables are tested for validity and reliability through CFA for each latent variable. Based on table I. All indicators have a value greater than 0.5, which means the indicator is valid in measuring latent variables.
The reliability of above laten contracts was checked according to Hair et al. (2005), by calculating the Cronbach’s alpha coefficient that were higher than 0.7 (Table I). Confirmatory factor analysis by evaluating convergent validity (factor loading > 0.5, Average variance extracted > 0.5, Composite reliability >0.7). The test results of the model get an R-square value that describes the goodness-of-fit of a model. The expected r-square value is greater than zero. Table I shows, the value of R-Square Operational performance (Y1) is 0.538, means that this research model meets the requirements. Goodness of fit inner model measurement with the results of Q Square calculations from Table I are obtained using the following formulations:

\[ Q^2 = 1 - (1 - R^2)(1 - R^2) \]
\[ Q^2 = 1 - (1 - 0.538) (1 - 0.534) \]
\[ = 0.7848 \]

The results of the above calculations can be interpreted that the model is able to explain organizational performance (Y2) of 78.48% and 21.52% explained by other variables.

**Hypothesis Testing.** The results of the t-value along with the full significance values are shown in the table II.

**Table 1. Confirmatory Factor Analysis**

<table>
<thead>
<tr>
<th>Latten construct</th>
<th>Observed variable</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational leadership (X₁)</td>
<td>Idealized influence</td>
<td>0.689</td>
</tr>
<tr>
<td></td>
<td>Inspirational Motivation</td>
<td>0.772</td>
</tr>
<tr>
<td></td>
<td>Intellectual stimulation</td>
<td>0.759</td>
</tr>
<tr>
<td></td>
<td>Individual consideration</td>
<td>0.790</td>
</tr>
<tr>
<td>Reward (X₂)</td>
<td>Extrinsic factor</td>
<td>0.795</td>
</tr>
<tr>
<td></td>
<td>Intrinsic factor</td>
<td>0.743</td>
</tr>
<tr>
<td>Job Satisfaction (Y₁)</td>
<td>Job Promotion</td>
<td>0.832</td>
</tr>
<tr>
<td></td>
<td>Job Relations</td>
<td>0.810</td>
</tr>
<tr>
<td></td>
<td>Job Characteristic</td>
<td>0.894</td>
</tr>
</tbody>
</table>

**Table 2. Model reliability and validity**

<table>
<thead>
<tr>
<th>Laten construct</th>
<th>Cronbach’s alpha</th>
<th>Average variance extracted</th>
<th>Composite reliability</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>X₁</td>
<td>0.926</td>
<td>0.611</td>
<td>0.926</td>
<td></td>
</tr>
<tr>
<td>X₂</td>
<td>0.903</td>
<td>0.652</td>
<td>0.781</td>
<td>0.544</td>
</tr>
<tr>
<td>Y₁</td>
<td>0.883</td>
<td>0.712</td>
<td>0.883</td>
<td>0.538</td>
</tr>
</tbody>
</table>
Tabel 3. Hypothesis testing

| Research Hypothesis | Description               | Path Coefficient | T Statistics (|O/STERR|) | Information |
|---------------------|---------------------------|------------------|----------------|-------------|
| H1                  | Transformational leadership → Reward | 0.508            | 6.269          | Supported   |
| H2                  | Transformational leadership → job Satisfaction | 0.520            | 6.041          | Supported   |
| H3                  | Reward → Job Satisfaction  | 0.451            | 2.232          | Supported   |

Based on Table III, the interpretation of each coefficient with a sample of 48 respondents (t table: 1.677). Path (H1) "Transformational leadership has a significant effect with positive direction on rewards seen from the t-statistic value 6.269 more than t-table. (H2) "Transformational leadership has a significant effect with positive direction on job satisfaction seen from the t-statistic value 6.041 more than t-table. (H3) Prizes have a significant influence with a positive direction on job satisfaction seen from the t-statistic value 2.232 more than t-table.

**Discussion.** In general, transactional leadership is used in many companies in developing countries. Unlike the findings in Solo, Central Java. It is proven by statistical values that show that transformational leadership consisting of idealized influence, inspirational motivation, intellectual stimulation, individual consideration, all show high average values. Transformational leadership significantly and positively influences reward for textile company employees in Central Java. This finding is in line with the results of (Islam et al., 2020) who stated that, reward is a result of the appreciation of a transformational leader on employees. Reward as a form of appreciation becomes one of the considerations of transformational leaders. Reward significantly and positively influences the job satisfaction of textile company employees in Central Java. It is proven by statistical values which show that extrinsic factors and intrinsic factors all show high mean values. This finding is in line with the results of McCarthy and Dragouni (2020) which states that, reward is one of the factors that makes employees feel they have job satisfaction in the company.

In the context of transformational leadership, especially in developing countries like Indonesia, employee motivation is very important to note, this is because when an organization wants to scale up its scope, transactional leadership is no longer relevant to discuss. This transformational leadership is needed to foster and create a conducive work environment, where employees can express their opinions and think innovatively. This is inseparable from the leader's ability to provide intrinsic rewards in the form of motivation, encouragement, or attention psychologically or emotionally (Griffioen et al., 2017). Thus, an optimal dyadic relationship can be created, with this, it is also believed that job satisfaction will also be achieved.

Broadly speaking, the sample is a textile company taken in the city of Solo in the Central Java region in this study, it can be concluded that the leader in this company has a transformational leadership style that can support the excellence of the company in future.
Representation of leadership style is the provision of reward as an appreciation of performance achievement for employees, which in this case at the supervisor and managerial level with an average tenure of more than 10 years of work. A long working period is a form of employee job satisfaction towards work and the company. But more than that there must be concrete steps from shareholders or company owners about how to bring the potential of transformational leadership to the company's continuous improvement in the future.

**CONCLUSION**

This study shows clearly that transformational leadership style has a significant and positive effect on employee rewards, while rewards have a positive and significant effect on employee job satisfaction. On the other hand, it is possible that transformational leadership has an indirect influence on organizational commitment. The low value of idealized influence and intellectual stimulation in transformational leadership shows that it is better for the leaders of textile companies in Central Java to be more active in giving advice and solving problems faced by employees as well as proactively showing employees that the leadership has a clear vision. These two actions are needed so that employees feel proud of the leadership and in the long run will increase job satisfaction.

Respondents' answers about employee job satisfaction show that job relations have the lowest value. These results clearly show that the pipeline should be able to maintain conducive conditions in the work environment which will have an impact on the comfort of employees in work and increase employee job satisfaction for the company. In addition, the employees reward must be given according to their rights and performance. In the future, by giving stimulus in the form of reward will keep employees working in the company. This study has several limitations related to the field conditions faced regarding the limited research population, thus limiting the possibility of using analytical tools and research conducted on the company. In addition to the population, the characteristics of the company are different from other companies.

The conceptual model of research should be tested again with companies with different characteristics such as service companies, and manufacturing, or financial institutions to improve the generalization of the model. Apart from that, the next research can consider more deeply about how the transformational leadership transition process, especially in organizations in developing countries. apart from that, it might raise the issue of autonomous support and development support in empowering leadership. considering the transformational leadership process is not far from the role of empowering leadership.

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