The Effect of Transformational Leadership and Work Environment to Employee's Performance

Didin Hikmah Perkasa[1*], Neneng Saidah[2], Hapzi Ali[3]

[1,3]Lecturer of Economic & Business, University of Mercu Buana (UMB), Jakarta, Indonesia
[2]Student of Economic & Business, University of Mercu Buana (UMB), Jakarta, Indonesia

Abstract: This study aims to determine the effect of transformational leadership and work environment on Employee's performance. The object of this study was employees of PT Pegadaian branches Meruya West Jakarta. The population in this study was 40 employees. The results of this research used saturated sampling technique. Data collecting used questionnaires and subsequent, then data analyzed using multiple linear regressions. Data processing for statistical tests performed with SPSS 21. The results showed that both independent variables of transformational leadership and significant positive effect on Employee's performance, while for the working environment variable was not significant or positive effect on Employee's performance.

Keywords: Transformational Leadership, Working Environment, Employee's performance.

INTRODUCTION

Business world competition in globalization era is getting tight and rapid. Every company has to refine their employee's performance to compete with other competitor, particularly in finance sector. The good Employee's performance may elevate company performance and it has effect on company's end will be achieved. Some of the most effect to get it is leadership style which is applied to each organization and work environment.

On one side, company may not run their activities without a leader and on the other side, every single company's activity must be supported through good work environment since both of them have important role to make company's target come true, is attainment of employee's performance will be followed by the good company performance.

Leadership is owned by a leader represents his/her personality, and it has impact on company's successful Maertz and Campion in Sulistyawati [1]. Moreover, the effect of work environment as well has role in attaining company's end. Even though work environment does not run company production, it has effect on employee to run production process. The good work environment may step up performance. In contrast, inadequate work environment may degrade performance and then lowering employee's work motivation Sedarmayanti [2].

Work environment is overall of surrounding employee on work, either physical, or non-physical, direct or indirect which has effect on themselves and it works in working Sedarmayanti [2]. The comfortable work environment is an impetus for employee to accomplish a work well. It needs to consider carefully in order to employees feel comfort and they can work out well, and then boosting company performance. Additionally, work environment is being one of the influential factor effects on employee's interest. Sutrisno [3].

PT. Pegadaian is one of the state-owned enterprises run in lending credit to people by law of pawning. They have more than 700 branches which are divided into 10 regional offices. To make vision, mission, and end come true, management expects to regional leaders to organize and direct any sources to meet management expectations. In each branch is led by a branch leader who has responsible and full power to his/her branch and units. Consequently, among a branch leader and others has own or difference style and strategy to attain company's goal. The difference leader has impact on difference condition of work environment among a branch with others. As the result, it has effect on employee's performance.

PT. Pegadaian, Meruya Branch is one of the branches where located in Meruya district, West Jakarta. It has a leader who oversees five auxiliary units and 40 employees. PT. Pegadaian of Meruya Branch is directive leadership, and then branch leader has full

authority to manage and direct all employees to work with leader's policies. The following is organization structure to elaborate leadership line in PT Pegadaian of Meruya Branch.

Based on the data that PT Pegadaian of CPP Meruya is annually has decreased attainment. In 2013, the attainment was Rp 10.581.988.000,- then decreased to be Rp 9.899.780.000,- in 2014 and 2015 has decreased as well to be Rp 8.898.689.000,-. Some of the reasons why those were happened and one of the factors was leadership. The realized policies were less motivates employees, such as incentive which was normally taken yearly to be omitted. In addition, the inconducive work environment, lack of rest time, and etcetera were worsening it.

Statement of the Problems
- Does transformational leadership effect on employee's performance?
- Does work environment effect on employee's performance?

LITERATURE REVIEW
Transformation Leadership
According to Robbins and Judge [4] that transformational leadership is a leader who inspires employees to aside personal interest for organizational benefit and s/he has great effect on his/her employees. Moreover, according to Suharsono [5] that transformational leadership is most needed model by organization, notably an organization is in complicated problem. Lack different with Robbins and Judge, and Suharsono, Bass and Avolio. Raihani [6] stated that transformational leadership is a process which leader takes an action to escalate colleagues' awareness of what is the right and priority to exceed personal interest for group, organization, and people benefit.

Transformational Leadership Characteristic
According to Soekarso [7] some characteristics of transformational leadership are:
- Charisma, is sharing vision and mission, instilling pride, having respect and belief
- Inspiration, is communicating high expectation, using symbols to focus on effort, expressing important taught in simple ways
- Intellectual stimulation, generating intelligence, rationality and problem solving to be scrutinized
- The individualized consideration, is paying attention personally, treating all employees individually, training, and advising.

Transformational Leadership Dimension and Indicator
Robbins and Judge [4] proposed that leadership has four dimensions, they are:

- _Idealized Influence,_ is leader behavior contributing to vision and mission, generating pride, and having respect and trust from employees.
- _Inspirational Motivation_ is leader behavior enables communicating high expectation, expressing shared vision interestingly, and inspiring employees to attain target and significant progress for organization.
- _Intellectual Simulation_ is leader behavior allows driving employees' creativity and innovation, refining rationality, and solving problem carefully.
- _Individualized Consideration_ is leader behavior in treating each of employees as an individual by need, ability, distinct aspiration and training and directing them.

Work environment
Sedarmayanti [8] defined work environment as entirely deal properties and materials, surrounded work, work method, and work setting either individually or in group. Sedarmayanti [8] proposed that work environment divided into two types, are physical and non-physical. Moreover, physical work environment can be categorized into two, they are: a) Directed environment relates to employees, such as work center, chair, table, and etcetera; b) Intermediary environment or public environment can be called as work environment effects on human being condition.

Indicators of Work Environment, Sedarmayanti [8] enumerated Work environment indicators as follows: a) Lighting in the Workplace; b) Air temperature; c) Air circulation; d) Workspace size; e) Workspace layout; f) Job security; g) Cleanliness; h) Noise; i) Peer relations; j) Office equipment

Employees' Performance
Sedarmayanti [8] asserted that performance is employees' work, management process or organization in body where the work must be presented in concretely testimony and measurable (compared to predefine standards). Meanwhile, Wibowo [9] implied that performance is a process how the work is going on attaining a goal.

Aspects of Performance
Umar in Mangkunegara [10] classified performance aspects as: 1). Quality of work, 2). Employees' honesty, 3). Initiative, 4). Presence, 5). Attitude, 6). Cooperation, 7). Reliability, 8). Work knowledge, 9). Responsibility, 10). Work time used.

Dimension and Indicator of Performance, Sedarmayanti [8] uttered that employees' performance effect on employees' contribution to organization in quantity and they can be quantified in criteria which is used as a basic performance assessment. Performance dimension is divided into five, they are: _Quality of work; Promptness_; _Initiative_; _Capability_; _Communication._

Performances Indicators are stated by Sedarmayanti [8], are: Work quality, Work outcome, Effectiveness of time, Number of jobs can be completed, Creativity, Time used, Work standardization, Practical and Reliable, Communication with leadership, Communication among colleagues

Research Framework

Based on the research objectives and theoretical studies in order to build the hypothesis, the conceptual framework of this research is as follows.
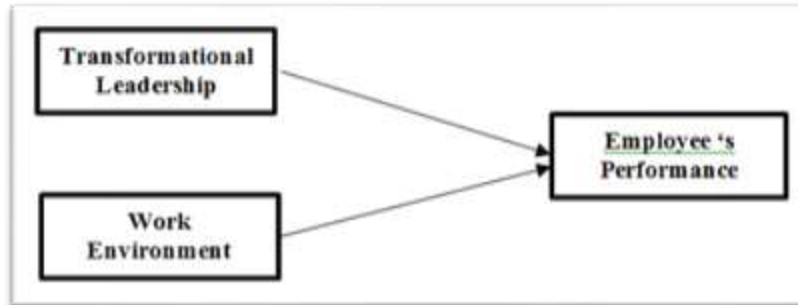

Fig-1: Conceptual Framework

Hypothesis

Based on the theoretical and conceptual framework study, this research hypothesis is as follows.

- H1: Transformational Leadership effects on Employees' Performance
- H2: Work Environment effects on Employees' Performance

RESEARCH METHODOLOGY

Research variable is attribute or characteristic or people value, object or various activities in specific are set up by researcher to be scrutinized then inferred Sugiyono [11]. Variable in this research was comprised of independent variable (X) and dependent variable (Y).

Measurement method by likert scale was used to quantify attitude, opinion, and individual or group's perception on social phenomenon Sugiyono [11].

Likert scale used five answers level, they are:

Table-1 Likert Scale

Answer	Score
strongly agree	5
agree	4
quite agree	3
disagree	2
strongly disagree	1

Population and Sample. According to Sugiyono [11] population is generalization area which comprised of object or subject has particular quality and characteristic are prescribed by researcher to be scrutinized and inferred. The research population was employees at PT. Pegadaian (Persero) Meruya Branch and it has 40 employees. Furthermore, Sugiyono [11] defined sample as part of number and characteristic are owned by the population. Sample collecting method used *non probability sampling* technique, was sample taken not allowing equal opportunity for each element or member of the population to be selected as sample Sugiyono [11]. Saturated sampling technique used to stipulate the samples. Saturated sampling is sample in stipulating technique if all members of population used as samples Sugiyono [11]. As the result, samples used in the research were 40 respondents.

Data Collecting Technique. This research used field and library research as data collecting method. Field research was conducted to know real condition comprehensively and compared to obtained theory. Data Analysis Methods Descriptive Statistics Test. The research used quantitative-descriptive analysis and supported by SPSS software. Data analysis method used in this research will be elucidated below:

Validity Test

Validity test used to quantify whether valid or no of a questionnaire. A questionnaire can be stated valid if questions within it allows to describe something to be quantified by the questionnaire [12]. Validity test used in this research as factor analysis that was question items can be said valid if they have loading factor value > 0,5.

Reliability Test

Reliability Coefficient calculation and test relate to confidence in the test tool (instrument). Reliability concept can be understood through basic idea of the concept, consistency. Researcher may evaluate research instrument depending on distinct perspective and technique, however questions are being fundamental to quantify reliability. In term of reliability test, it was supported by SPSS 20 program and referring to Guilford principles.

Multiple Linear Regression Analysis

The result of regression analysis was coefficient for each independent variable. The coefficient was obtained through predicting dependent variable value with an equation. Regression is counted through two purposes, are minimizing irregularities between actual and estimated value in dependent variable based on the data Ghozali [12]. Linear regression form in this research was one dependent variable and two independent variables, as the result regression equation model can be formulated as follow: $Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \varepsilon_i$, or in matrix equation form: $y = X\beta + \varepsilon$

Where:
y : dependent variable vector
X : independent variable matrix
B : parameter vector of regression coefficient (β_0, β_1, dan β_2)
ε : vector error in measurement or other variables are not inserted in the model
i : sample unit or i-observation, where $i = 1, 2, ..., n$
n : sample criterion

Hypothesis Test

F Test. F test is basically denoting whether all independent variables in the model have jointly effect on dependent variable. Individual Parameter Significance Test (t test), t statistic test is used to identify significance whether each independent or dependent variable (transformational leadership, work discipline and creativity) is separately has significant effect on dependent variable (employees' performance). In addition, it meant to find out independent variable has real or no effect. According to Priyatno [13] that making decision principle can be conducted by beholding significance probabilities, are:

- If significance probability $> 0,05$ then H_0 accepted and H_a rejected
- If significance probability $< 0,05$ then H_0 accepted

RESULT AND DISCUSSION
The Result of Data Quality Test

Validity Test on Transformational Leadership Variable. Based on the question items that transformational leadership had loading factor $> 0,5$, it means that all of question items for transformational leadership were valid. However, on KT6 question item was not included in reliable to regression test. Validity Test on Work Environment variable. Referring to the question items that Work environment had loading factor $> 0,5$, it means that all of question items for work discipline were valid. However, on LK8 item question indicated that data was not valid by loading factor value $0,455<0,5$. Consequently, LK8 was not included in reliable to regression unit. Validity Test on Performance Dependent Variable. Based on the test that all of question items for employees' performance variable had loading factor $> 0,5$, it means that all of question items for employees' performance variable were valid.

Reliability Test. Questionnaire Reliability of Transformational Leadership Independent variable. Training standard of reliability coefficient for transformational leadership variable (X1) in this research denoted that cronbach's alpha value was 0,810 or higher than 0,60, it means that knowledge variable was stated reliable. Questionnaire Reliability of Work Environment Variable. Reliability coefficient of work environment variable (X2) in this research denoted that cronbach's alpha value was 0,612 or higher than 0, 60, it means that attitude variable was stated reliable. Questionnaire Reliability of Performance Independent Variable, Reliability coefficient of performance variable (Y) in this research denoted that cronbach's alpha value was 0,463 or higher than 0,60, it means that communication variable was stated quite reliable.

Multiple Linear Regression Analysis

Multiple linear regression test is to identify description of effect between two or more of X variable as independent variable and Y variable as dependent variable. Multiple linear regression analysis in this research was conducted to identify regression coefficient or magnitude effect of the dependent variable, was employees' performance (Y), while independent variable-transformational leadership (X1), and work environment (X2). Additionally, it used since independent variable in this research was more than one.

Table-2: Multiple Linear Regression

Coeficients			
Model	Unstandardized Coeficients		Standardized Coeficients
	B	Std. Error	Beta
(Constant)	16,181	4,396	
Transformational Leadership	0,206	0,70	0,444
Work Environment	0,70	0,107	0,100

Based on the table, the obtained regression equation was: $Y = a + b_1X_1 + b_2X_2 + e = 16,181 + 0,206 X_1 + 0,70 X_2$. Where the variable Work Environment is more dominant influence on Employee's Performance than the Transformational Leadership. This can be a priority to improve performance. If management does not do anything then the performance already has a performance of 16,181.

Determination Coefficient test (R^2)

The result of determination coefficient both transformational leadership and work environment on employees' performance can be seen in table below.

Table-3: Determination Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,484	0,234	0,193	2,064

a.Predictors: (Constant), Work Environment, Transformational Leadership
b.Dependent Variable: Performance
Source: Questionnaire data was processed by SPSS 21

Based on the Table 3 that the result of *Model Summary* analysis can be described in adjusted R square (R^2) value was denoting determination coefficient. Number on R was changed to be percentage; it means that percentage of independent variable contributed on dependent variable. Based on the obtained results denoted that adjusted R square value were 0,193, it means that 19,3% of employees' performance can be described by both independent variables-transformational leadership and work environment. Then, the rest of 80,7% (100% - 19,3%) can be elucidated by other variables and they were out of variable used in this research.

- Based on the coefficient of determination regression test, there are many other factors that can affect Performance, apart from Work Environment, Transformational Leadership. Other factors such as the style of leadership, morale and so forth. These other factors based on the results of previous research to support and strengthen this research include:

- Motivation and Job Satisfaction have positive and significant effect on teacher performance either partially or simultaneously or in this context bias also to employee's performance in general in company and other organization. The higher motivation and job satisfaction of employees will have a positive impact on performance, Riyanto, S; Adonia; & Ali, Hapzi [14];

- Work Motivation and Job Satisfaction have positive and significant impact on Organizational Commitment and impact on Employee / Employee's performance, Masydzulhak; Ali, Hapzi; & Leni: [15]; and Work Discipline and Morale have a positive and significant impact on the Employee's performance of Tax Office Pratama Padang Dua, either partially or simultaneously, Agussalim; Ali, Hapzi; *et al.* [16].

Individual Parameter Significance Test (T Test)

T statistic test can be conducted through beholding its probability or significance. Based on the regression test partially (T test), it can be seen in table below:

Table-4: Statistical Test Results T

Coefficients		
Model	t	Sig.
(Constant)	3,681	0,001
Transformational Leadership	2,944	0,006
Work Environment	0,660	0,513

Dependent Variable : Performance
Source: Questionnaire data was processed with SPSS 21

Referring to Table 4, it can be obtained that the result of t value was as follow:
- Regression coefficient of transformational leadership variable had t value of 2,944 with probability significance, 0,006 lower than significance level, 0,05. It indicated that transformational leadership variable had significant effect on employees' performance of PT.

Pegadaian, Meruya Branch West Jakarta. Thus, hypothesis of transformational leadership on employees' performance (H_a1) accepted and (H_01) rejected.
- Regression coefficient of work environment variable had t value of 0,660 with probability significance, 0,513 higher than significance level, 0,05. It indicated that work environment variable

had no effect on employees' performance of PT.Pegadaian, Meruya Branch West Jakarta. Thus, hypothesis of work discipline on employees' performance (H$_a$2) rejected and (H$_0$2) accepted.

DISCUSSION
- **The Effect of Transformational Leadership on Employees' Performance**

Research findings on transformational leadership were found out that transformational leadership had positive and significant effect on work productivity. The research was supported by prior studies, such as Safitri, *et al*. [17], Thompson [18], Sunjyo [19], Stone, *et al.* [20], Tampubolon [21], that scrutinized about transformational leadership perception. They reported that transformational leadership has positive and significant effect on employees' performance.

Transformational leadership variable can be quantified through successful of employees' intellectual stimulation to generate them working out better than before since they had impact of motivation shared by company leader. It indicated that the result of measurement was positive and significant on employees' performance.

- **The effect of Work Environment on Employees' Performance**

Based on these research findings on t test that work environment variable (X2) had significance value of 0,513, was higher than 0,05. Thus, it can be concluded that work environment had no effect on employees' performance of PT. Pegadaian, Meruya Branch West Jakarta.

It was supported by Demianus [22] proposed that work environment was effected by several factors, such as lighting, air temperature, noise, space, and job security. Based on the research, it can be inferred that by comfortable work setting, provisioning safety equipment and adequate facilities will generate productivity in carrying out work.

The research was not in line with Pratiwi [23], Budi [24] studies indicated that work environment had positive and significant effect on employees' performance.

CONCLUSION AND SUGGESTION
Conclusion
After verifying hypothesis and discussion in respect of the effect of transformational leadership and work environment on employees' of PT Pegadaian Meruya Branch, then it obtained some conclusions below:
- Based on the partial test after conducting analysis, it verified that the effect of transformational leadership had positively and significantly effect on

employees' performance at PT Pegadaian Meruya Branch, West Jakarta.
- Work environment had no positively and significantly effect on employees' performance at PT Pegadaian Meruya Branch, West Jakarta. It was indicated by t significance value through probability value on work discipline that had significance value of 0,513.

Suggestion
Based on the research findings, it can be suggested some suggestions for parties who concerned to elevate transformational leadership and work environment then will be impact to employees' performance at PT. Pegadaian, Meruya Branch, thus they may consider the following suggestions:

Company
- The importance of company's vision and mission are needed to emphasize and derived up to reinforce employees' commitment and morale reforming and servicing for people.
- PT. Pegadaian Meruya Branch should obey to any stipulations or norms which are enforced. Consequently, they minimize employees coming too late to office and working out by procedure operation standard (SOP).
- Allowing employees to express their thought.

- **The next researcher**

The researcher suggests to further research is better to develop this research by extending other variable, such as the effect of transformational leadership, work discipline, and creativity on employees' performance.

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