

Original Article

The Effect of Transformational Leadership on Employee Performance Mediated by Work Motivation in Car Rental Services Companies in Lampung Province

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Abstract - The role of the leader is needed to maintain employee motivation at work so that performance can remain good. The population of this research is all employees who work in car rental service companies in Lampung Province, totalling 378 employees. The measurement scale uses a Likert scale. The instrument test uses a validity test, reliability test, and normality test. Data analysis using the Structural Equation Modeling (SEM) method. Structural analysis in this study uses AMOS (Analysis of Moment Structure) software. The purpose of this study is to analyze the effect of transformational leadership on employee performance, analyze the effect of transformational leadership on employee work motivation, analyze the effect of motivation on employee performance, and analyze whether there is a role for motivation in mediating the influence of transformational leadership on employee performance in car rental companies in Lampung Province. The results of this study are transformational leadership has a positive and significant effect on employee performance, transformational leadership has a positive and significant effect on employee motivation, work motivation has a positive and significant effect on employee performance, and work motivation mediates the direct influence of transformational leadership on employee performance.

Keywords - Transformational Leadership, Motivation, Employee Performance.

I. INTRODUCTION

This year, the Indonesian and global economy will be full of challenges due to the Covid19 pandemic. The business world also feels this, which results in increasingly competitive competition between businesses. According to Mukhtadi (2018), the empowerment of human resources

affects the success of a business, especially the level of quality and expertise of human resources. organizational structures that are mostly team-based require a leader to lead and can play a role in motivating each individual and the entire team. (Chen et al., 2007).

Leadership is the process of guiding the behaviour of other individuals towards the achievement of some goal and has always been regarded as organizational success. Today it is becoming more important than ever because of the tremendous possibilities of improving communication technology and expanding international business (Nadler, D. et al. in Strukan, E. 2017). Transformational leadership style is significant in influencing employee creativity (Shin and Zhou, 2003). Transformational leaders increase employee confidence and values; as a result, employees' work output increases beyond the level they expected (Bushra, Usman, and Naveed, 2011).

In achieving the effectiveness and success of an organization, leaders will explain how and help employees, such as involving employees with their abilities (Gill, R, 2012). Follower motivation is considered the primary mechanism by which leaders exert influence. If leaders want to improve outcomes, they must increase the motivation of their followers (Harrell, 2008). According to Shadare et al. (2009), employee motivation among managers is the basic key to improving efficient and effective management. Individual performance involves the quantity and quality of productivity, presence in an effort, accommodative and cooperative nature, and timeline of results. Individual performance is prejudiced by motivation as if workers are satisfied or motivated, they will work with more effort, and performance will eventually increase (Azar and Shafighi, 2013).



The new coronavirus disease known as COVID-19 has caused severe consequences to spread rapidly worldwide. The number of cases has grown globally, with critical situations demanding some emergency action by government entities worldwide (Kim et al., 2020). Recent studies have explained that working from home (e.g., limiting home-based work travel) and reducing consumption (i.e., limiting home-based shopping trips), limiting community contact, and limiting travel are effective mitigation policies (Yilmazkuday, 2020). However, this policy may affect people's travel behaviour and their health and well-being (De Vos, 2020).

During a pandemic, people perceive a higher risk for all types of travel and avoid travelling to places they perceive as a medium to high risk (Hotle et al., 2020). One of the industries hardest hit was the rental and vehicle business. Characteristics of changes in the behaviour of company employees before and during Covid19 caused car rental service companies. During the Covid-19 pandemic, there were changes in the company's strategy by company leaders to maintain the company's business performance. Employee performance must also be considered to maintain employee business performance. The role of the leader is currently needed to maintain employee motivation at work so that performance can remain good. Based on the observations of researchers, one of the areas affected by Covid19 is vehicle rental companies. Vehicle rental company employees must continue to work in the Covid-19 situation even with the existing health protocols. There are no changes related to work; only many refer to health protocols, even though employees want different treatment from superiors.

The company leaders' policy to their employees in the Covid-19 situation makes the situation not conducive so that employee performance decreases. Leaders are still not evenly distributed in communication, tolerance, and division of tasks to employees. Problems that often arise in organizations are caused by the lack of leadership abilities in optimizing employee performance, which weak leaders see in terms of empathy and interaction with employees (Sukitno, 2005). Due to this, an organization to successfully achieve organizational goals requires a transformational leader to run its business.

Based on the formulation of the problem, the objectives of this study are to:

- Analyzing the influence of transformational leadership on the performance of car rental company employees in Lampung Province.
- Analyzing the influence of transformational leadership on the work motivation of car rental company employees in Lampung Province.
- Analyzing the influence of motivation on the performance of car rental service company employees in Lampung Province.

- Analyzing whether there is a role of motivation in mediating the influence of transformational leadership on the performance of car rental company employees in Lampung Province.

II. LITERATURE REVIEW

There are two leadership styles written in James Mac Gregor Burns' book as in Hughes (2012), namely Transactional Leadership and Transformational Leadership. Transactional leadership occurs when a leader and his followers are in a kind of relationship that mutually cooperate and exchange ideas to meet the team's needs. These exchanges can be economic, political, or psychological. According to Hughes (2012), leaders with a transformational style are believed to be more successful in encouraging and motivating followers for organizational change because of the emotional awakening of followers and their willingness to work towards realizing the leader's vision.

Bass (1990) in Strukan (2017), the transformational leadership model has four factors:

- Charisma or ideal influence describes a leader who is a strong ideal for his followers. Followers identify with such leaders and want to match them. They give vision and mission understanding to their followers.
- Inspirational is a characteristic of leaders who place high expectations on their followers, inspiring their motivation to be dedicated to the organization's shared vision.
- Individual appreciation represents a leader who creates support for an atmosphere where they carefully consider the individual needs of his followers, where the leader acts as a coach and counsellor who helps their followers to reach their full potential.
- Intellectual stimulation implies a leader who encourages followers to be creative and innovative and to challenge themselves to be dedicated to organizational performance improvement.

According to Handoko (2001), motivation is a condition that can encourage the individual to do what he wants to achieve the goal. Research (Musinguzi et al., 2017), indicators of work motivation are as follows:

- General Motivation
- Burnout
- Job
- Satisfaction Intrinsic Job Satisfaction
- Organizational Commitment
- Work Awareness
- Timeliness and attendance

Employee performance is about employees achieving results, goals, or standards with what is expected by the organization. In short, the achievement of a given task is measured against the established standards of accuracy, completeness, cost, and speed, the initiative they take, creativity in solving problems, resources in how to utilize their resources, time and energy (Damoah, 2016). According to Koopmans et al. (2014), several factors that need to be considered in performance appraisal are as follows:

- Task performance
- Contextual performance.
- Counterproductive work behaviour

A. Hypothesis

The development of hypotheses in this study was prepared based on the framework of the influence between variables, theories and previous research results to answer the objectives of this study. Some of these hypotheses include:

- The Effect of Transformational Leadership on Employee Performance

Transformational leadership is one of the factors in determining employee performance (Baskarada et al., 2017). If the leader applies a leadership style that can create a conducive atmosphere, employee performance will also be encouraged. The results of Jiang et al.'s (2017) research show that transformational leadership positively affects employees' sustainable performance. Research from Andriani et al. (2018) also shows that transformational leadership has a positive and significant effect on employee performance. The influence of transformational leadership is also supported by research from Strukan et al. (2017), which explains that transformational leadership positively influences the acquisition of high-level company financial performance and new product development. So the first hypothesis in this study can be formulated as follows:

H1: Transformational Leadership has a positive and significant effect on employee performance

- The Effect of Transformational Leadership on Employee Motivation

Transformational leadership goes well and effectively. It can affect increasing employee performance. Leaders who practise transformational leadership style will set a good example for their subordinates, set a good example, and communicate well with subordinates. The leader will allow subordinates to participate in giving advice, responsibilities, challenges, and opportunities to develop and support the work motivation of their subordinates. The results of previous research from Masi and Cooke (2000), transformational leadership have a significant relationship

with motivation. Transformational leadership and employee motivation also show a significant relationship, according to Ahmad et al. (2014). The second hypothesis can be formulated:

H2: Transformational Leadership has a positive and significant effect on employee motivation

- The Influence of Work Motivation on Employee Performance

Motivation is one of the driving factors in carrying out activities and affects employee performance. According to Andriani et al. (2018), work motivation has a positive and significant effect on employee performance. Research results from Gündüz et al. (2016) stated that inspirational motivation is also positively related to employee performance. Then the third hypothesis can be formulated:

H3: Work motivation has a positive and significant effect on employee performance

- The Role of Motivation in Mediating the Effect of Transformational Leadership on Employee Performance

The research results of Sujana and Ardana (2020) explain that work motivation is a mediating variable of the influence of transformational leadership on employee performance. This shows that transformational leadership has a significant impact on employee performance if it is mediated by work motivation, meaning that employee performance is highly dependent on work motivation and the application of transformational leadership. Shafie et al. (2013) and Taruno et al. (2011) also explained that work motivation would mediate the relationship between leadership style and employee performance to achieve a competitive advantage. The results of previous research by Wahyuni (2015) explain a positive influence of leadership style on employee performance through work motivation. The fourth hypothesis can be formulated:

H4: Work motivation has a role in mediating the effect of transformational leadership on employee performance.

III. RESEARCH METHOD

The research method in this research is survey research. The data used in this study are primary data and secondary data. This study's data collection methods were questionnaires, interviews, observations, and documents. The independent variable in this study is transformational leadership (X). The mediating variable in this study is motivation (M). The dependent variable in this study is employee performance (Y). In this study, the population is all employees who work in car rental companies in Lampung

Province, amounting to 378 employees. The measurement scale in this study is using a Likert scale. The instrument test was carried out using the validity test, reliability test, and normality test using the AMOS program.

analysis. Structural model analysis was carried out using the goodness of fit suitability and statistical tests. The results of the structural model analysis can be seen in Figure 2.

IV. RESULTS AND DISCUSSION

A. Structural Model Analysis

The next analysis in this research is structural model

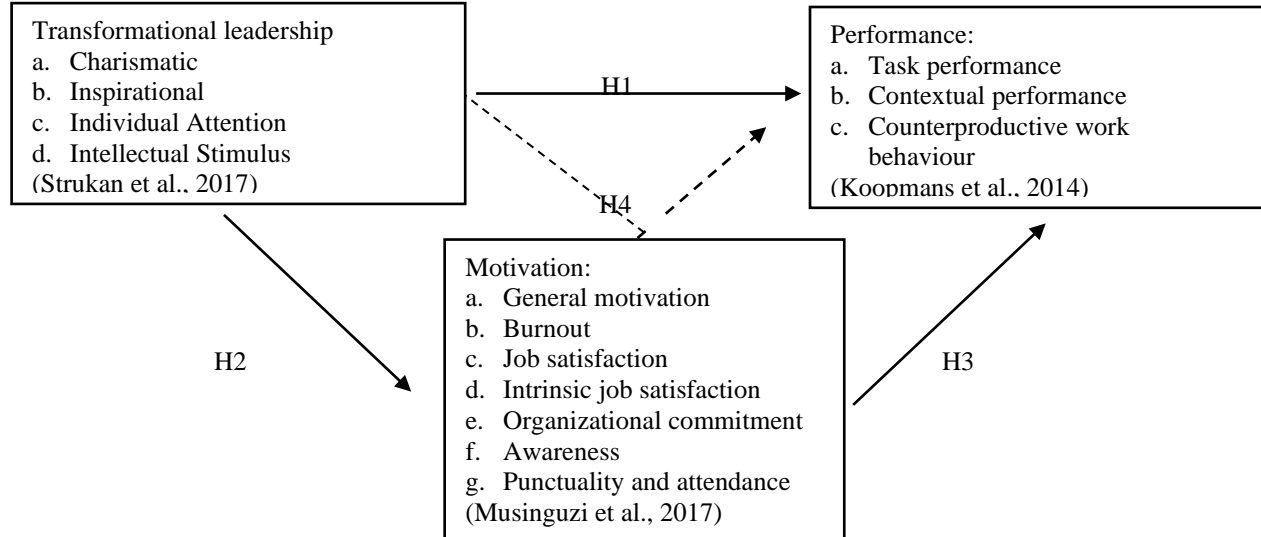


Fig. 1 Thinking Framework of the Effect of Transformational Leadership on Performance with Motivation as a Mediation Variable

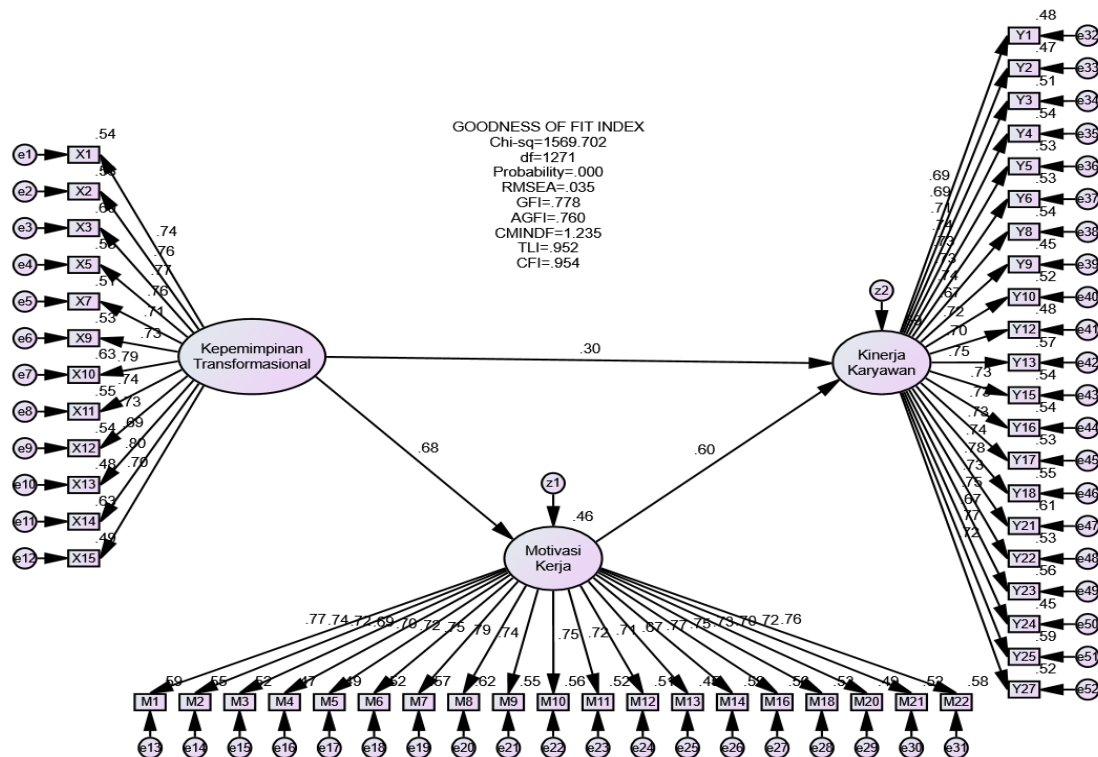


Fig. 2 Structural Model

The statistical value of the model's suitability can be seen in Table 1. Table 1 shows that the model used is acceptable. Some measurement indices show marginal values. The marginal value is the condition of the suitability of the measurement model under the criteria for absolute fit and incremental fit. However, it can still be continued in further analysis because it is close to the good fit criteria (Seguro, 2008 Fitriyana, 2013).

Table 1. Assessment of Model Conformity

The goodness of Fit Index	Cut of Value	Test Results	Information
Chi-Square	$\leq 1355,052$	1569,70	Marginal Fit
P-Value	$\geq 0,05$	0,000	Marginal Fit
RMS	$\leq 0,08$	0,035	Good Fit
GFI	$\geq 0,90$	0,778	Poor Fit
AGFI	$\geq 0,90$	0,760	Poor Fit
CMIN/DF	$\leq 2,00$	1,235	Good Fit
TLI	$\geq 0,95$	0,952	Good Fit
CFI	$\geq 0,95$	0,954	Good Fit

B. Hypothesis Testing Analysis

Testing this hypothesis is based on processing research data using SEM analysis. Testing this hypothesis is to analyze the Critical Ratio (CR) and Probability (P) values of the data processing results, compared with the required statistical limits above the critical value ± 1.96 for the CR value and below 0.05 for the P-value. The influence between transformational leadership and employee performance has a CR value of 4.191 ($p = 0.001$ 0.05), meaning a positive and significant influence between transformational leadership and employee performance. Hypothesis H1, an influence of transformational leadership on employee performance, is accepted. Transformational leadership goes well and effectively. It can affect increasing employee performance. Therefore, company leaders are expected to always pay attention to charisma, inspiration, individual attention, and intellectual stimuli that make employees more comfortable and motivated without feeling pressured to achieve the desired performance.

The effect of transformational leadership on employee work motivation has a CR value of 8.060 (p 0.05), meaning a positive and significant influence between transformational leadership and work motivation. Hypothesis H2, an influence of transformational leadership on employee motivation, is accepted. Transformational leadership goes well and effectively. It can affect increasing employee performance. Leaders who practise transformational leadership style will set a good example for their subordinates, set a good example, and communicate well with subordinates. Leaders will allow subordinates to participate in giving advice, responsibilities, challenges, and opportunities to develop and support the work motivation of their subordinates. The ability of leaders to change the

perceived work motivation of subordinates so that they are better able to optimize performance to achieve company goals.

The effect of motivation on employee performance has a CR value of 7.025 (p 0.05), meaning a positive and significant effect between work motivation and employee performance. Hypothesis H3, work motivation's influence on employee performance, is accepted.

Motivation acts as a driving force for employees to work harder. In service and car rental companies in Lampung Province, motivation is an important variable where motivation needs to get great attention for companies in improving the performance of their employees.

The role of motivation in mediating the effect of transformational leadership on employee performance can be seen. The amount of indirect influence on the research model can be seen in Table 2.

Table 2. Indirect Influence

Effect	Motivation
Transformational Leadership → Motivation → Performance	$0,723 \times 0,491 = 0,355$

Table 2 explains that the magnitude of the effect indirect transformational leadership on employee performance through motivation, namely $axb = 0.723 \times 0.491 = 0.355$. This value is greater than the value of the direct influence of transformational leadership on employee performance, which is 0.259. So hypothesis H4, work motivation has a role in mediating the influence of transformational leadership on employee performance, is acceptable.

The influence of transformational leadership on employee performance with work motivation as a mediating variable can also be strengthened by the calculation of the Sobel Test. The Sobel test is an analytical tool to test the significance of the indirect relationship between the independent variable and the dependent variable mediated by the mediator variable.

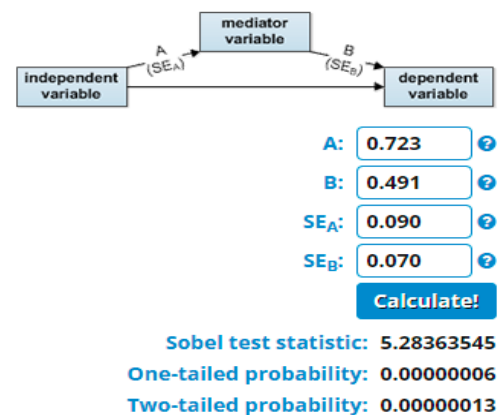


Fig. 3 Sobel Test Calculation Results

As seen in Figure 3, based on the results of the Sobel test, it shows that the tabulation results for the Z value of $5.284 > 1.96$ and the p-value of $0.000 < 0.05$. This shows that work motivation (M) is a variable that mediates transformational leadership (X) on employee performance (Y); in other words, transformational leadership has an indirect effect on employee performance through work motivation. Hypothesis H4: Work motivation has a positive and reinforcing role in mediating the effect of transformational leadership on employee performance.

The results of this study are in line with the research results of Sujana and Ardana (2020), which explain that work motivation is a mediating variable of the influence of transformational leadership on employee performance. The results of this study are also in line with the results of this study in line with the results of research conducted by Barling et al. (2000) stated that motivation has a role in mediating the effect of transformational leadership on performance. Research conducted by Priyanto (2014) states that motivation mediates leaders to lead to innovation and subordinates' creativity in doing work. Leaders can encourage employees to be enthusiastic in work to increase their contribution and performance.

This shows that transformational leadership has a significant impact on employee performance if it is mediated by work motivation, meaning that employee performance is highly dependent on work motivation and the application of transformational leadership. The results of the hypothesis in this study indicate that work motivation is a variable that fully mediates the influence of transformational leadership and has a positive and significant effect on the performance of car rental company employees at the Lampung Company. This means that if the leader has a transformational leadership style, it can increase employee work motivation and hopes that it will improve employee performance.

VI. CONCLUSION AND SUGGESTIONS

A. Conclusion

The conclusions of this study are:

- Transformational leadership has a positive and significant influence on the performance of car rental company employees in Lampung Province. Transformational leadership increases, and then employee performance will increase.
- Transformational leadership has a positive and significant effect on employee motivation in car rental companies in Lampung Province, which means that good transformational leadership can motivate employees to work in the company.
- Work motivation has a positive and significant effect on the performance of car rental company employees in Lampung Province. The increasing motivation of

employees can improve the performance of car rental service company employees in Lampung Province.

- Work motivation mediates the direct effect of transformational leadership on employee performance. When employees have high work motivation, the impact of transformational leadership will be greater on the achievement of employee performance.

B. Suggestion

Suggestions that can be given to companies, namely:

- Inspirational indicators should be a concern for car rental service companies in Lampung Province to pay attention to how leaders can inspire employees to be dedicated to the organization's shared vision. Leaders need to plan the best people, plan the best people, emphasize long-term effects, increase the opportunities in the organization and provide relaxation and calm. The leadership can do this by looking at the performance of the employee, for employees who have achievements, making programs for employees in terms of career advancement or employee self-development to prepare these employees; leaders need to provide peace for their employees, for example, with surprises in the office, entertainment for employees or you can survey what employees want so that employees can work in a relaxed manner and reduce stress levels.
- The burnout indicator should be a concern for car rental service companies in Lampung Province because burnout should not be allowed to drag on and needs to be addressed appropriately. After all, it can affect the physical and mental health of employees, so it is necessary to encourage employee work motivation such as prioritising work, allowing employees to take time off, providing positive energy to employees by providing support to employees, and leaders giving appreciation to employees so that employees can return to work enthusiastically.
- Indicators of counterproductive work behaviour should be a concern for car rental service companies in Indonesia. Lampung Province pays attention to employees at work, especially matters related to work, so that work objectives and company goals can be achieved, such as making initial commitments with employees, explaining existing rules in the company, making the work atmosphere more pleasant, paying attention to employees' work and creating an atmosphere mutual support between employees.

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