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The Impact of Transformational Leadership on Employee Performance Mediated by Job Satisfaction (A Study of SMEs in Central Java Province)

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Abstract

This study aims to analyze the impact of transformational leadership and job satisfaction on employee performance. The variables used in this study are transformational leadership as independent variable, employee performance as dependent variable, and job satisfaction as intervening variable. The amounts of samples used in this study were 163 respondents representing Indonesian SMEs employees in Central Java province. The sampling method used in this study is non-probability sampling method with a purposive sampling technique. The method of collecting the data is completed by using both offline and online questionnaires. The research analysis tool used in this study is Partial Least Square (PLS) analysis technique with SmartPLS 3.0 version. The results of this study indicate that transformational leadership has a positive and significant effect on employee performance, transformational leadership has a positive and significant effect on job satisfaction, and job satisfaction has a positive and significant effect on employee performance as well as job satisfaction mediation effect between transformational leadership has a positive and significant effect on employee performance. Eventually, the owner of SMEs could consider transformational leadership as the factor that influences their employee performance improvement as well as satisfaction at work.

Keywords—Employee Performance; Job Satisfaction; SMEs; Transformational Leadership

I. INTRODUCTION

In the field of organizational behavior, human resource is the main asset of the organization that influences the performance of the organization. In general, organizational performance can experience fluctuation over time which is controlled by various factors. Thus, it is essential to maintain organizational performance at a good level to achieve the organization's goals. Moreover, one of the methods to improve organizational performance is empowering human resources through increasing employee performance.

Defined by Ángeles López-Cabarcos et al., (2022), employee performance is an achievement of the employee through their behavior and it is evaluative means that can be assessed and measured by an organization. Generally, employee performance can fluctuate in a certain period as the effect of different types of working procedures application. Supposed that a company experienced employee performance reduction in the beginning quarter, afterward changes are made to the working procedures in order to escalate the performance and indicate better performance in the next quarter. Keep in mind that the alteration of working procedures is primarily led by a manager because the manager has the authority and ability to manage subordinates. Hence, Terglav et al., (2016) suggest that the direction of a company's purpose is determined by how the capability of the leaders to lead. Likewise, different kinds of leadership styles may be applied by supervisors or managers to stimulate organizational performance (Hilton et al., 2021). Then the high level of organizational performance in the company may followed by a high level of employee performance as well.

According to Ng, (2017) indicated that transformational leadership is one of the most extensive research topics in recent decades, compared to other leadership topics a lot of evidence of citation studies of transformational leadership are more frequent, thus can indicate how considerable its effects to the organization. The reason transformational leaders consider the best style of leadership is because they have typical characteristics embedded like motivating, communicating, and innovating. Likewise, when selecting the leader as a role model will influence motivational work among employees and develop following the role model. Moreover, researchers suggested that transformational leadership could reduce dispute communication, and further enhance subordinates' willingness to collaborate at work, thus establishing a work environment to be more harmonious, have great communication, and lessen conflict (Kammerhoff et al., 2019).

According to Eliyana et al., (2019) leaders have the ability to stimulate and encourage their subordinates to improve individuals through encouraging motivation and charisma. The improvement of individuals like their motivation commonly affects the performance at work as well, indicated by such handling the task thoroughly and on time finished, fair relation to the managers, enthusiastic completing the task. Moreover, another researcher suggests that transformational leaders are capable of rising up organizational interest over subordinates' interests, encouraging subordinates to perform better, paying attention to the subordinates' needs, and emphasize to work creatively (Buil et al., 2019). Therefore, when a leader applies transformational leadership in the organization, most likely to improve employee performance.

The leaders who employ the transformational leadership style show a high concern towards the subordinates' needs, able to create a vision of the desired subordinates as well as them, then can establish a feeling of subordinates to consider the leader as a mentor or coach (Kammerhoff et al., 2019). Generally, when employees notice if their leader gives attention to them, in return they would think of their leader as a mentor, this relation-building may escalate the work confidence and bring out satisfaction at work among employees. Most of the organizational behavior researchers have noticed some attitudes, these are job satisfaction, organizational commitment, and job involvement (Robbins, 2019).

Thiagaraj & Thangaswamy, (2017) suggested in their research that job satisfaction is determined by emotional condition resulting from the evaluation of employment and achievements, thus employees with a high level of job satisfaction tend to be loyal to the organization and comfortable with their job. Researcher suggests that employee with a high level of job satisfaction bring out positive productivity at work that increases employee performance (Robbins, 2019). Accordingly, this research focused on job satisfaction which is the outcome of transformational leaders in the organization in order to increase employee performance.

Several previous research on the impact of transformational leadership on employee performance has done at large enterprises, yet only a few conducts it at small enterprises. First, the research by Buil et al., (2019) was conducted in three, four, and five-star hotels in Spain with 323 frontline hotel employees as the respondents. Further research from Ribeiro et al., (2018) was held in a major city in eastern Turkey with participants of 476 Turkish healthcare from a large hospital. As well as research participants of 278 employees of Jordanian telecommunication company sectors like Zain, Orange, and Umniah conducted by Rawashdeh et al., (2020). Likewise, (Mangkunegara & Huddin, 2016) investigate Citibank NA Indonesia that one of the large private banking sectors in Indonesia.

The source of growth in the national economy in the business world lies in Small and Medium Enterprises (SMEs) (Abdul-Mohsin, 2020). The application of transformational leadership to increase employee performance is assumed to be the most effective way, then it is a great decision to apply it in organizations primarily, particularly in the business sector in Indonesia which focuses on small and medium firms. The research was conducted on the small and medium enterprises in Central Java province due to the high contribution of this business field to the Gross Domestic Product and has contributed to Indonesia's economic recovery. In addition, based on data from the Ministry of Cooperatives and Small Medium Enterprises (Kemenkop UKM, 2021) in March 2021, the number of SMEs across Indonesia reached 64.2 million. Statistically, Indonesia experienced an escalating number of SMEs from 59 million to 65 million from 2015- 2019.

Afterward, those 65 million SMEs outlets contributed to Gross Domestic Product (GDP) 61 percent or Rp8,573.89 trillion in rupiah (Ministry of Finance of the Republic of Indonesia, 2021). Besides the SMEs evidence that has a considerable amount of GDP impact, SMEs have also contributed to reducing the amount of unemployment in Indonesia. The Ministry of Cooperatives and Small Medium Enterprises (SMEs) noted that SMEs workforce from 2017 until 2020 recorded more than 115 million per year. The actual data above, which can support this study, is necessary to examine transformational leadership to enhance employee performance in small and medium enterprises, especially in Central Java.

II. LITERATURE REVIEW

The effect of transformational leadership on employee performance and job satisfaction

Transformational leadership is characterized by leaders who encourage subordinates in conformable with the organizational goals and interest to outperform from the expectations and it plays very crucial for organizations who desire an effective management (Buil et al., 2019). Judge and Robbins, (2019) also explained transformational leadership style is a character of leaders who emphasize subordinates' needs and development by inspiring them to prioritize corporate interest over individual interest and work beyond ordinary performance.

A leader who adopts transformational leadership appears to encourage subordinates to be more creative and innovative at work. As a result, the employee can perform better than formerly expected (Kanat-Maymon et al., 2020). The concept of transformational leadership was initially introduced by Bass in 1985. Later in 1991, Bass & Avolio developed the initial theory then introduce the Full Range of Leadership Models. This theory focuses on the behavior of a leader towards its employee in different work situations. The FRLT associates transformational leadership and transactional leadership with a laissez-faire leadership style. Specifically, transformational leadership consider as the most active and effective leader compared to others, that comprises 4 aspects: Idealized influence, Inspirational Motivation, Intellectual Stimulation, Individualized Consideration.

The theory of Full Range Leadership Theory (FRLT), especially transformational leadership comprises 4 behaviors, and one of them is Inspirational Motivation. The leader also motivates followers to achieve performance beyond expectation, then transformational leadership influence positively on performance of employees (Buil et al., 2019). In line with the statement, Rawashdeh, et al., (2020) also asserted that transformational leadership can influence positively the performance of 278 employees in the Jordanian telecommunication enterprises. Furthermore, Mangkunegara & Huddin, (2016) shows that there is any significant influence of transformational leadership to employee performance in Citibank NA, CBOO Unit. As well as Kammerhoff et al., (2019) showed that transformational leadership can predict job performance at the individual level as well as the team level across a multitude of criteria.

The style of leadership is considered one of the most crucial variables influencing job satisfaction, the better style of leadership practiced by the organization, the higher employees' job satisfaction (Omar & Hussin, 2013). Farrell et al., (2005) refer that transformational leaders may improve their followers' commitment and satisfaction by paying attention to their essential needs and feelings. Those characteristics are the reflection of the Full Range Leadership Theory that suggested individualized consideration's behavior where the leader emphasizes the needs of employees such as self-actualization.

Successful orchestra conductors (leaders) as being able to empower musicians (followers) and create a vision of the desired interpretation of the musician's piece as well as a view of themselves as the leader who is truly concerned with the musicians' development (Kammerhoff et al., 2019). According to Eliyana et al., (2019), measuring the effect of transformational leadership on the job satisfaction of the middle-level leader resulted in a positive relationship. In line with those researchers, Curado & Santos, (2022) also suggested that job satisfaction can be influenced by the treatment received by superiors, especially transformational leadership.

Therefore, based on both theoretical and empirical evidence, we propose:

H1: Transformational leadership has a positive effect on employee performance H2:

Transformational leadership has a positive effect on job satisfaction

The effect of job satisfaction on employee performance

Worker that considered to be happy is actually a productive worker, yet employee performance and job satisfaction are far from being identical concepts, positive relations between performance and job satisfaction are typical (Kammerhoff et al., 2019). According to Judge et al., (2017) satisfaction with a job is defined as evaluative assessment of employees in correlation with the job whether it is positive or negative. It means the assessment of every employee can differ, for example, the environment, superior behavior, and colleagues.

In addition, the research conducted at Citibank NA Indonesia unit experienced a declining level of employee performance, which that seen from the declined level of employees' disciplines as well, indeed, the level of discipline has a strong relative with employee job satisfaction; the employee who has a good job satisfaction usually has a good discipline too (Mangkunegara & Huddin A., 2016). The performance of middle-level of managers of several hotels and resorts in Thailand is influenced positively and significantly by the level of their job satisfaction (Siengthai & Pila-Ngarm, 2016).

Those researchers provide the concept that job satisfaction in any jobs and business sectors influence level of employee performance. Accordingly, there are 3 previous research that show a positive and significant impact of job satisfaction on employee performance (Kammerhoff et al., 2019; Siengthai & Pila-Ngarm, 2016; and Mangkunegara & Huddin 2016).

Therefore, based on both theoretical and empirical evidence, we propose:

H3: Job satisfaction has a positive effect on employee performance

The Mediating Role of Job Satisfaction on Relationship between Transformational Leadership on Employee Performance

Job satisfaction acts as a leading engine of employee morale, discipline and performance of individuals when appropriate leadership style is adopted (Thamrin, 2012). This means that successful leaders can stimulate employee performance through effective influence of job satisfaction (Shahab & Nisa, 2014). According to Full Range Leadership Theory, when followers' needs and wants are satisfied, they will influence their performance, and thus, they will exert effort beyond expectations (Arenas et al., 2017). Most literature science that linked transformational leadership with employee's performance and job satisfaction has assured transformational leadership as a good predictor of employee performance (Braun et al., 2013).

Some previous research provided the mediation effect of job satisfaction between transformational leadership. Hence, Rawashdeh et al., (2020) shows positive job satisfaction mediation effect between transformational leadership and employee performance relationship of telecommunication employees in Jordan. In line with the statement, Roz, (2019) also resulted positive mediation effect of job satisfaction on the relationship between transformational leadership and employee performance.

Therefore, based on both theoretical and empirical evidence, we propose:

H4: Transformational leadership has a positive and significant effect on employee performance mediated by job satisfaction

A. Tables

Table 1. Operational Variable.

Variable	Operational Variable Definition	Indicator
Transformational Leadership (TL)	Transformational leadership is characterized by leaders who encourage subordinates in conformable with the organizational goals and interest to outperform from the expectations and it plays very crucial for organizations whodesire an effective management (Buil et al., 2019)	Innovative thinking when facing a problems or opportunities (TL1), The leader leads by example (TL2), A charisma leaders (TL3) (Carless, 2000)
Job Satisfaction (JS)	Satisfaction with a job is defined as evaluative assessment of employees in correlation with the job whether it is positive or negative. (Judge et al., 2017)	Co-worker satisfaction (TL1), Operating procedures satisfaction (TL2), Supervision satisfaction (TL3), Communication satisfaction (TL4) (Dhamija et al., 2019)
Employee Performance (EP)	Performance is the involvement of employees with quality and quantity when performing their tasks as the responsibility to their organization. (Mangkunegara & Huddin, 2016)	Employee meets the target of work (EP1), Initiative person (EP2), Capability of teamwork (EP3) (Mangkunegara & Huddin, 2016)

Table 2. Cross Loading Value.

	Employee Performance	Job Satisfaction	Transformational Leadership
EP1	0.834	0.712	0.319
EP2	0.844	0.667	0.554
EP3	0.814	0.573	0.427
JS1	0.589	0.778	0.316
JS2	0.572	0.797	0.445
JS3	0.641	0.792	0.474
JS4	0.694	0.812	0.320
TL1	0.519	0.526	0.915
TL2	0.344	0.349	0.777
TL3	0.414	0.313	0.793

Processed Primary Data, 2022

Table 3. Reliability.

	Cronbach Alpha	Composite Reliability
Employee Performance	0.776	0.870
Job Satisfaction	0.806	0.873
Transformational Leadership	0.775	0.869

Processed Primary Data, 2022

Table 4. R-square and Q-square.

	R-square	Q-square
Job Satisfaction	0.242	0.146
Employee Performance	0.644	0.432

Processed Primary Data, 2022

Table 5. f-square value.

	Employee Performance	Job Satisfaction
Job Satisfaction	1.042	
Transformational Leadership	0.067	0.319

Processed Primary Data, 2022

Table 6. Hypothesis Testing Summary.

	Original Sample (O)	T Statistics	P Value
Transformational Leadership -> Employee Performance	0.178	2.578	0.010
Transformational Leadership -> Job Satisfaction	0.492	6.277	0.000
Job Satisfaction -> Employee Performance	0.700	12.693	0.000
Transformational Leadership -> Job Satisfaction -> Employee Performance	0.344	5.084	0.000

Processed Primary Data, 2022

B. Figures



Fig. 1 Conceptual Model

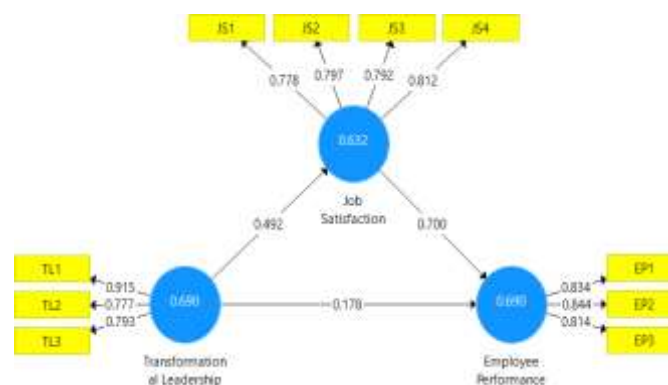


Fig. 2 Outer Model Results

III. RESEARCH METHODOLOGY

This research was conducted based on quantitative methods by using a questionnaire. The researcher collected data by integrating online and offline questionnaires. The reason why it uses two kinds data collection methods due to uncommon online-based questionnaire method for certain SMEs employees. In addition, the researcher distributed questionnaires to employees of SMEs in Central Java Province based on a purposive sampling technique. The scale on questionnaire is measured using a Likert scale with 5-point scale. The respondents that are the employees of SMEs, having co-workers, and not including the owner of SMEs were taken as a unit of analysis. The total respondents in this research are 163 employees.

Operational Variable Definition

The components used in the general SEM model in this study consist of the exogenous and endogenous variables. The definition of variables explained in table 1.

Partial Least Square Structural Equation Modeling (PLS-SEM)

This research using Partial Least Square Structural Equation Modeling (PLS-SEM) with SmartPLS software as a data analysis. There are two models in PLS Path Modeling: the measurement model and the structural model. The measurement model will be evaluated using convergent validity, discriminant validity, and composite reliability tests to assess the validity and reliability of the items used. On the other hand, the structural model will be evaluated using a specification of causal relationships between latent variables.

Convergent Validity

The first step in testing convergent validity is to draw a path diagram. Items with a loading factor < 0.5 will be removed from the outer model and then deleted, according to the research procedure (See Figure 2). Items

with a loading factor of 0.5 will be removed from the model before we run the data again. Items with a loading factor value between 0.5 and 0.7 are retained in the model, provided the item has a value and AVE > 0.5.

Discriminant Validity

The discriminant validity was then tested by examining the cross-loading value of each item. If the loading value of each item on the construct is greater than the cross-loading value, the criteria are met. However, the loading value for Y1 to other construct is higher than the loading value on the construct which is 0.661. Thus, the Y1 was eliminated before the researcher run the data again. Next, for all other indicators in which the value of loading to one construct > cross loading to another construct after item Y1 is eliminated (See Table 2).

Reliability

It is assessed through Cronbach's alpha and composite reliability where it determines each construct's internal consistency reliability and the weight of the individual indicators (Hair et al., 2019). Variable is considered as reliable if refers to the score Cronbach's Alpha is greater than or equal to 0.7 and the Composite Reliability score is greater than or equal to 0.6. For detailed reliability test result can be referred to in Table 3.

Inner Model

Researchers refer to the assessment of R-square, Q-square, f-square, the path coefficient and p-value, as well as the model fit. If the path value is positive, it means that the exogenous variable is positively related to the endogenous variable, and vice versa. The result of the inner model testing in this study can be referred to in table 4, table 5 and table 6

According to the inner model listen in Table 4, the R-square on the job satisfaction is 0.242, indicating that the influence of transformational leadership on job satisfaction is 24% with the rest can be influenced by other variables which were not included in the research model. In addition, the score of R-square on variable of employee performance is 0.644, indicating that the influence of fanaticism and purchase intention is 64%

As for the Q-square, it indicates how well the observed value. Referring to the table 4, the Q-square on job satisfaction is 15% as well as for employee performance is 43%

Referring to the f-square, it indicates the correlation of each construct. It is considered as a moderate good effect if the score of f-square > 0.15. In table 5, it shows that the f-square > 0.15, indicating that all of the correlation of each construct is moderate good effect.

Path coefficients indicate the direction of the relationship between the construct as it ranges from -1 to 1. According to Figure 2, the direction of each construct is positive relationship as it is higher than 0 and less than 1.

IV. RESULT / FINDING

This study explores the underlying effect of transformational leadership practice in Small and Medium Enterprises on employee performance as well as mediation effect of job satisfaction between them. The result of the hypothesis test in this study presented in table 6.

Transformational Leadership has a positive and significant impact on employee performance. The PLS-SEM result shows that the path coefficient is 0.178 and the t-statistics of the bootstrap method is 2.578 > 1.96 with a p-value of 0.010 which means it has a significant effect. Then, hypothesis 1 is accepted.

Transformational Leadership has a positive and significant impact on job satisfaction. The PLS-SEM result shows that the path coefficient is 0.492 and the t-statistics of the bootstrap method is 6.277 > 1.96 with a p value of 0.000 which means it has a significant effect. Then, hypothesis 2 is accepted.

Job satisfaction has a positive and significant impact on employee performance. The PLS-SEM result shows that the path coefficient is 0.700 and the t-statistics of the bootstrap method is 12.693 > 1.96 with a p-value of 0.000 which means it has a significant effect. Then, hypothesis 3 is accepted.

Transformational Leadership has a positive and significant impact on employee performance through job satisfaction. The PLS-SEM result shows that the path coefficient is 0.344 and the t-statistics of the bootstrap method is 5.084 > 1.96 with a p-value of 0.000 which means it has a significant effect. Therefore, hypothesis 4 is accepted. In addition, the mediation effect of job satisfaction has a greater effect compared to direct effect of transformational leadership on employee performance.

V. DISCUSSION

The result based on the findings implies that the variable of transformational leadership has positive and significant effect on employee performance. A leader who adopts transformational leadership apparently

capable to gather the employee and support them to be more creative at work and this could be an indication of employee performance enhancement. Understanding this concept, the leaders or owners of enterprises especially in SMEs retail industries, can employ this leadership style towards their employees and hope it will directly increase the performance of the employees. This can be concluded that as transformational leadership is applied, so will increase the performance of the employees. The findings in this research have a path coefficient score of 0.178 which indicate moderate relationship and emphasize the result of previous research from Buil et al., (2019), Rawashdeh, et al., (2020), Mangkunegara & Huddin, (2016), and Kammerhoff et al., (2019) that transformational leadership has positive effect on employee performance.

Transformational leadership style in relation to job satisfaction evidently confirms positive effects and is significant as the result of the findings in the previous section. They are many leadership styles that can be applied through many enterprises, yet transformational leadership is believed to be one of the most effective ways to lead subordinates. In the company, employees love their work once they are satisfied with their employment. Based on the findings, the application of transformational leadership especially in SMEs retail industries evidently can drive satisfaction among employees to their employment. This can be concluded that as transformational leadership is applied, so will increase the job satisfaction of the employees. The findings in this research have a path coefficient score of 0.492 which indicate high relationship and emphasizes the result of previous research from Kammerhoff et al., (2019), Eliyana et al., (2019), Curado & Santos, (2022) that transformational leadership has positive effect on job satisfaction.

Job satisfaction in relation to employee performance presumably confirms positive effects and is significant as the result of the findings in the previous section. Generally, employee performance is the result of employee work activity and task completion in the workplace or organization. In addition, many factors influence the level of satisfaction at work such as supervisor treatment, relationship with colleagues, the capability of work and etc, yet what was believed is that job satisfaction among employees can drive their performance at work. Thus, the performance of employees in the company considerably affects the success and development of the company. It can be concluded that as job satisfaction is increasing, so will employee performance. The findings in this research have a path coefficient score of 0.700 which indicate a very high relationship and emphasize the result of previous research from Kammerhoff et al., (2019), Siengthai & Pila-Ngarm, (2016), and Mangkunegara & Huddin, (2016) that job satisfaction has positive effect on employee performance.

The analysis of mediating roles in the model indicates transformational leadership has a positive and significant impact on employee performance through job satisfaction. It is disclosed that if a leader in the SMEs retail industry applies transformational leadership style, it will influence the job satisfaction of employees and employee performance consecutively because the leader who adopts transformational style emphasizes and encourage the needs of employees possible to raise employee job satisfaction. The more satisfied an employee to his/her task, work, and supervisor will positively increase his/her competence to finish the task. It can be concluded that as job satisfaction is increasing, so will indirectly increase employee performance through job satisfaction. The indirect path coefficient score is 0.344 which indicates a high relationship and the mediation of job satisfaction proved higher than the direct effect of transformational leadership on employee performance that only a 0.178 path coefficient score. Thus, the mediation effect is proved effectively influenced compared to the direct correlation. The findings in this research emphasize the result of previous research from Rawashdeh, et al., (2020), and Roz, (2019) that transformational leadership has an effect on employee performance mediated by job satisfaction.

VI. CONCLUSION AND RECOMMENDATION

Based on the data processing results described in the previous section, the following research conclusions can be explained as follows:

Hypothesis 1, transformational leadership has a positive and significant effect on employee performance based on the data analysis results of hypothesis 1. Transformational leadership application in SMEs retail industry can increase employee performance. Hypothesis 2, transformational leadership has a positive and significant effect on job satisfaction based on the data analysis results of hypothesis 1. Transformational Leadership application in SMEs retail industry can increase employee job satisfaction of employees. Hypothesis 3, job satisfaction has a positive and significant effect on employee performance based on the data analysis results of hypothesis 3. Based on the data collected, job satisfaction can improve employee performance. Hypothesis 4, transformational leadership has a positive and significant effect on employee performance through job satisfaction as a mediating variable. Transformational leadership appliances in the SMEs retail industry can improve employee performance yet needs to improve job satisfaction in advance as hypothesis 4.

Managerial Implication

This study provides insight to leaders or owners of SMEs and helps them in understanding the mechanism and the role of transformational leadership, especially in SMEs which can influence the improvement of organizational performance.

Based on the results of this research, transformational leadership has a significant and positive role in influencing both employee performance and job satisfaction. The indicator of transformational leadership that has a substantial role is the innovative thinking of the leader to solve the problem at work, in addition, the charismatic indicator is the second most important. Especially in retail SMEs, emphasizing the ability of the leader to solve any problem in the workplace with a new perspective is considered the characteristic of a transformational leader. Furthermore, charismatic indicators are also useful for supervisors to attain respect from employees. Eventually, the owner of SMEs could consider transformational leadership as the factor that influences their employee performance improvement as well as satisfaction at work.

Thus, this study also found the impact of job satisfaction to SMEs employee performance is significant positive influence. The indicator of job satisfaction that has largest influence to the employee performance is the communication between supervisor and employees. The SMEs owner could stress the quality of communication between the leader and the staff in the workplace.

To sum up, all mentioned above are the findings that can be applied simultaneously to increase the performance of SME employees. Primarily, the leader in the workplace requires to acknowledge any characteristics of transformational leader behavior in leading the staff to achieve the effective performance of an enterprise.

Limitations and suggestions for future research

As with all research, there are limitations to this study. First, the research used questionnaire data collection method which the main disadvantage of self-report questionnaire might be the possibility of providing invalid answer. While responding to the items, respondents may not answer truthfully, especially on sensitive questions. Thus, respondents may not tell the truth condition. Second, using online questionnaires poses challenges because employees of SMEs are commonly unfamiliar with online questionnaires and prefer to use offline questionnaires. Finally, the author decided to use two kinds of data collection methods, both online and offline questionnaires. Therefore, the future research could use single method either online or offline. Third, this research was conducted limited in SMEs retail industries, typically convenience stores. There is another SME business sector like manufacturing which produces a product and business of services. This study cannot demonstrate the influence of transformational leadership on such business sectors' performances. Therefore, the future study will be useful if a study were carried out that covers data from different types of SMEs sector. Fourth, the scope of this research is limited to the Central Java region which might have certain inhabitants' cultures that affects the perception of work. Therefore, the future study could determine the research object scope besides Central Java. Various scopes of research objects may generate different viewpoints as every region has certain inhabitant cultures on how they perceive employment.

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