

LITERATURE REVIEW
TRANSFORMATIONAL LEADERSHIP AND BUSINESS
PERFORMANCE : A CONCEPTUAL FRAMEWORK OF A TEST
MODEL OF MEDIATION

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ABSTRACT

Nowadays, in the era of rapid globalization, improving competitiveness of enterprises depends on the improvement of their business performance. While there are many methods and techniques that affect business performance, transformational leadership through training, job competence and performance of employees has become one of the influential and the impact on business performance. Although it is known that transformational leadership improve business performance; in recent years, has started to conduct different studies in order to further improve efficiency. The opinion states that the employee's performance is one of the most important of them has grown.

This study emphasizes the importance of the mediation role of employee performance improvement in the relationship between transformational leadership and business performance with a strategic approach. It tries to prove the contribution of more than one type of employee performance to business performance of the company through transformational leadership abilities.

The purpose of our research is to reveal whether training, job competence and effective employee performance as a secondary variable for the effect of transformational leadership on business performance.

Keywords: Transformational leadership, training, work competencies, employee performance, business perform

INTRODUCTION

In the current era of globalization, more and more private companies that appear in various industrial sectors. It is a challenge for any company due to competition between companies becomes higher. Each company is required to provide improvement of their business performance in order to continue to survive in the business world. The competitive environment will reinforce the effect of the process of innovation in business performance (Prajogo, 2016). Increasing number of competitors are in a competitive environment, the process of innovation in the company's business performance becomes stronger. Social learning theory indicates that leadership affects the performance follower as a leader role models. Through the leader, the follower can expand their knowledge by learning and acquiring new skills to improve their performance (Walumbwa et al., 2011). Transformational leaders can foster a climate for innovation that encourages employee creativity (Jaiswal & Dhar, 2015).

Although it has been known that transformational leadership will improve the performance of the company, in recent years some researchers began to conduct separate studies in self-efficacy high employees to further improve efficiency and performance. Some research has found that employees with high self-efficacy creative with creative behavior when they receive support innovative climate (Dhar, 2015), ability copied from high performers who could enrich the human capital that subordinates ability can be improved if subordinates have high self-efficacy (Malhotra & Singh, 2016).

The opinion states that the employee's performance is one of the most important aspects in improving business performance. Improved performance is supported by the employees of the company conducted training sessions. The training is intended to enhance the skills, knowledge and abilities, or enriching human capital that will lead to the advancement of the subordinate / follower (Malhotra & Singh, 2016).

Training does not have a direct effect on performance but an indirect effect by increasing the results of other organizations (Isabel, Aragón, Jiménez, & Valle, 2014). There is a strong connection between employee training and the quality of service offered by employees (Dhar, 2015). Of course the quality of service the employee will ultimately have an impact on business performance. The purpose of this study was to reveal whether the employee's performance into intermediate variables for the effect of transformational leadership on business performance.

Literature Review

Relationship of Transformational Leadership on the Job Training

An effective leader must be responsive to change, able to analyze the strengths and weaknesses of human resources so as to maximize organizational performance and solve problems appropriately. A wide variety of leadership styles applied within the organization can help create a positive work effectiveness for employees. Their leadership style according to the situation and condition of the organization, the employee will be more enthusiasm in carrying out their duties and obligations and has hopes of fulfillment. Employees who are satisfied with the work will tend to have a high performance. Modern leadership model as transformational leadership plays an important role for the organization.

Transformational leadership is characterized as a leader focused on achieving change in values, beliefs, attitudes, behavior, emotional, and subordinate to the changes for the better in the future. Transformational leadership moderated direct effect of the diversity of cognitive intrinsic motivation the team and an indirect effect on team creativity through the intrinsic motivation of the team, so the effect is positive when transformational leadership high, but negative when transformational leadership was low (X. F. Wang, Kim, & Lee, 2016). Differentiation of individual mediates the relationship between transformational leadership behaviors of individual-focused and creative (Tse & Chiu, 2014)

The involvement of a full employment act as a mediator of the effects of high performance work practices on the job performance and extra-role customer service. In particular, high-performance work practices, such as training, empowerment, and the benefits, increase work engagement (Karatepe, 2013). Training company provided raising skill levels of regular workers and

non-regular 'with a statistically significant correlation between training and productivity of the company that supplied (Hara, 2014).

Relationship of Transformational Leadership on Competence

Competence is a measurable characteristic that can be defined in terms of ability and willingness to perform tasks, general knowledge, motive, nature, social roles, or a person's skills related to effective performance in work, organization, or culture (Malhotra & Singh, 2016). In this case transformational leadership can be done by a manager in managing subordinates/ followers.

Growth and career managing subordinates will be part of the extra role behavior and actions towards it will be a volunteer effort on behalf of the manager and not part of their official job competencies. Competency is demonstrated by the work of the high players to ensure that they remain the top performers, and usually observed to their subordinates. By displaying the competence of this work, not only did they achieve high levels of performance but also being described as a high-performance and as a role model by his subordinates (Malhotra & Singh, 2016).

Relationship of Transformational Leadership on Employee Performance

Transformational leaders go beyond their own personal interests for the good of the group, organization, and community. The relationship between a transformational leader and subordinate is an emotional attachment. Leaders give much attention to the development and performance of followers to their full potential (Derungs, 2010). Leaders who have a relationship-oriented personality emerge as transformational leaders only when they develop in the context of an organization that supports (Phaneuf, Boudrias, Rousseau, & Brunelle, 2016).

Two dimensions of transformational leadership, modeling and consideration moral individualist, positively related to employee creativity (Li, Zhao, & Begley, 2015). Identification relational follower to leader mediates the relationship transformational leadership follower creativity, and this depends on the mediation relationship moderator variable of perception follower expectations for the path of creativity leaders relational identification follower to follower creativity (Qu, Janssen, & Shi, 2015). When leaders face tasks that are very complex, they act in ways that are less transformational for their temporary shortage of psychological resources to do so (Dóci & Hofmans, 2015).

Transformational leadership is positively related to job satisfaction follower on each team as well as the level of analysis and team performance objective (Braun, Peus, Weisweiler, & Frey, 2013). Supervisor transformational leadership positively influenced creative self-efficacy and creativity of employees (C. Wang, Tsai, & Tsai, 2014). Self-efficacy is the belief of individuals regarding her ability to perform the tasks required to achieve a particular result.

Relationship Job Training to Business Performance

An organization requires human resources as a key enabler for achieving the goals set. Quality human resources will also promote the organization as a container increase in labor productivity. Strategic position to

increase productivity of organization are employees, that is individuals working in an organization or company.

Learning organization is one of the variables and that it mediates the relationship between training and performance and the application of learning-oriented training to improve performance through positive effects on organizational learning (Isabel et al., 2014). Companies are more likely to train their employees to use e-learning (Batalla-Busquets & Martinez-Arguelles, 2014). Extraversion and openness are creative predictor of overall performance. Relaxation training is very beneficial for introvert while ideation skills training is more effective for extraverts (Connor, Gardiner, & Watson, 2016).

Relationship Competence to Business Performance

Proficiency in job competencies assist in differentiating high performers from their peers. Managers are evaluated better on the set of competencies set for their roles in their organizations identified the players as high as compared to other (Campion & Odman, 2011).

Based on research (Chong, 2013) in identifying competencies that lead to jobs for managers of high performance varies across cultures. Some of the competencies necessary for high performance problem solving, judgment, risk taking, creativity, decision-making, business instincts, helicopters (rise above the current situation and not to see the bigger picture), and the organization, an organization that extra sensitivity and awareness (Lee, 2010).

Creativity is contextualised by individuals and groups operating in the area of contextual which has its own rules. They have to deal with different levels of rules, those in the field, the social rules and the rules of their own to be more creative (Fischer, Oget, & Cavallucci, 2016). Attitudes and behavior related to work, especially in a challenging job motivation, can be changed with cognitive-behavioral training to improve the style of attribution (Proudfoot, Corr, Guest, & Dunn, 2009). Attribution is an element of the process of perception that can greatly affect the attitude / behavior. An element of perception that can be defined as a process of how someone is looking for clarity on the cause and effect of the behavior of others.

Employees who feel a strong reward climate tends to indicate more clearly the quality of service orientation and in turn a higher level of job satisfaction and organizational commitment (Chiang & Birtch, 2011). Provision of soft reward has a significant positive effect on both altruism (concern for the welfare of others without regard for oneself) as the organizational benefits and altruism for personal satisfaction (W. Wang & Hou, 2015).

Relationship Employee Performance to Business Performance

Performance is a universal concept which is the operational effectiveness of an organization, part of the organization and part of the work based on the standards and criteria set. Performance is human behavior in an organization that meets the standards of behavior set out to achieve the desired result.

Based on previous research, when the environment of high transformational leadership, external motivation is positively associated with pro-environmental behavior. Conversely, when a low environmental

transformational leadership, external motivation is negatively related to pro-environmental behavior. Transformational leadership environment also have a strong relationship, a positive direct with pro-environmental behavior (Graves, Sarkis, & Zhu, 2013).

Team building as an important project success factors play a mediating role in the relationship between transformational leadership and the success of the project. These practices include goal-setting project, clarifying roles, interpersonal relationships, and problem-solving techniques, which together motivate and empower the project team to project success (Aga, Noorderhaven, & Vallejo, 2016). Transformational leadership participation strengthen security ties knowledge (Jiang & Probst, 2016). Transformational leadership will have a strong and positive effect on organizational performance in spite of the influence of transactional leadership on organizational performance (İşcan, Ersarı, & Naktiyok, 2014).

Behavior focuses on the task of the CEO is directly linked to the performance of the company. The relationship-focused behavior CEO associated with employee attitudes and, through these attitudes, for the performance of the company (H. Wang, Tsui, & Xin, 2011). Performance reflects how well and how precisely an individual meets the demand for jobs. Success or failure of performance achieved by the organizations affected by the level of employee performance individually or in groups.

RESULT AND DISCUSSION

Based on a review of studies by some researchers, we can create a model of mediating role of training, employee performance, competence work on relationship between transformational leadership and business performance in Table 1

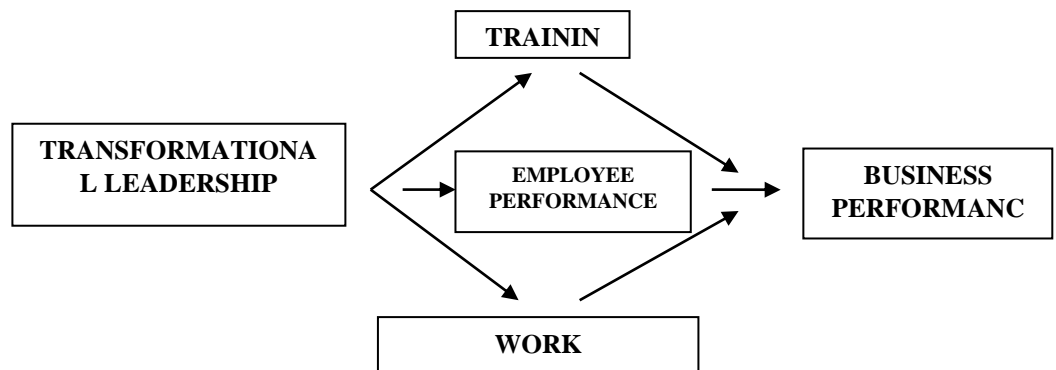


Table 1 The Model Proposed For ‘The Mediating Role of Training, Employee Performance, Work Competence on Relationship Between Transformational Leadership and Business Performance

CONCLUSION

Studies show that the positive effect on the transformational leadership training, employee performance and work competence as mediation has positive effects on business performance. Training company provided raising skill levels of regular workers and non-regular with a statistically significant correlation between training and productivity of the company are provided

(Hara, 2014). Here the training providers the company is a leader company. By displaying the competence of this work, not only did they achieve high levels of performance but also being described as a high-performance and as a role model by his subordinates (Malhotra & Singh, 2016). A role model by his subordinates describe the positive correlation between transformational leadership with job competence, where the leader as a role model for subordinates in terms of job competence. Transformational leadership is positively related to job satisfaction follower on each team as well as the level of analysis and team performance objectives (Braun et al., 2013).

Training does not have a direct effect on performance but an indirect effect by increasing the results of other organizations (Isabel et al., 2014). Based on research (Chong, 2013) to identify job competencies for managers who lead high performance across varied cultures. Transformational leadership will have a strong and positive effect on organizational performance in spite of the influence of transactional leadership on organizational performance (İşcan et al., 2014). Transformational leadership environment also have a strong relationship, a positive direct with pro-environmental behavior (Graves et al., 2013). Behavior focuses on the task of the CEO is directly linked to the performance of the company. The relationship-focused behavior CEO associated with employee attitudes and, through these attitudes, to the company's performance (H. Wang et al., 2011). Limitations of this study was the model has not been proven as yet collecting empirical data. It is necessary empirical studies to prove the model of this study.

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