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Transformational Leadership Style in Increasing Economic Sustainability in the Banking Sector

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Abstract

One of the crucial challenges facing the banking sector currently is Human Resources (HR) management, especially the management of millennial generation employees, who are an essential part of the current workforce. The millennial generation is also expected to drive economic sustainability in the banking sector. This research is aimed to explore the influence of transformational leadership style on the performance of millennial generation employees with self-efficacy as mediation. The object and population of this research are millennial generation employees at PT. Bank Rakyat Indonesia, Persero (Tbk) Semarang Regional Office. Purposive sampling was used to choose participants from the millennial demographic, resulting in a total sample size of 106 employees (N=106). A closed questionnaire given to research participants provided the data. This research employs a quantitative methodology. Using Smart PLS 3 software, data were analyzed using the Partial Least Square (PLS) technique. The result revealed a clear correlation between transformational leadership styles on the performance of millennial employees. Through self-efficacy as a mediator, the transformational leadership style has an indirect impact on worker performance. The research results can be used as important information for managerial-level leaders of organizations in the banking sector to implement a leadership style appropriate for millennial generation employees to achieve high performance.

Keywords

Transformational Leadership Style, Self-Efficacy, Employee Performance, Millennial Generation

1. Introduction

One of the crucial challenges faced by the banking sector currently is human resources (HR) management, especially the management of millennial generation employees, who are an essential part of the current workforce (Mawardi, 2022). The millennial generation, born between 1981 and 1996, has significantly changed how they work and interact in the work environment (Ong & Mahazan, 2020). In the last few years, the banking sector has witnessed a worrying trend of decreasing the performance of millennial employees. This level of decline in employee performance will significantly affect the standards and productivity of financial services (Ng et al., 2010). According to Yap & Badri, (2020), many factors influence the decline in the performance of millennial employees, such as traditional work culture, which does not match the values and expectations of millennials who tend to prefer flexible modes and incompatibility with leaders in their organizations.

In an organization, successful performance achievement cannot be separated from the role of the leader (Peramesti & Kusmana, 2018). Green Human Resource Management (GHRM) involves practices that are aligned with the three pillars of environmental, social and economic balance sustainability (Yusoff et al., 2015) and bring benefits to organizations in the long term (Wagner, 2013). GHRM forms part of a broader corporate social responsibility program (Sathyapriya et al., 2013). In this case, HR managers are expected to be able to create awareness among employees who work for the organization about how to improve the environmental performance of the organization through human behavior (Shaikh, 2010).

The leader's role in effectively directing employees in an organization is a task that takes work, involving complex systems and various challenging conditions. Moreover, there has been a workforce transition in the current work world, which presents challenges for leaders to manage millennial generation employees (Ji & Yoon, 2021). The diversity of employee backgrounds and characteristics requires leaders to adapt their leadership styles, especially for millennial generation employees who are always goal-oriented with high self-esteem (Filatrovi, 2021).

This study conducted at PT. Bank Rakyat Indonesia (BRI) Persero (Tbk) is one of the banks with the largest number of employees in Indonesia, which millennial workers dominate. The company's internal data shows that millennial generation employees at PT. BRI dominates with 54,951 employees or 70.69% of the total workers. With BRI's employee generation structure dominated by millennials, we see special needs and attention regarding leadership styles in managing employees suitable for this generation. Based on the literature that has been explained regarding studies on transformational leadership style and performance with self-efficacy, little is known about how this phenomenon applies in the banking sector. To answer this research, we will evaluate the impact of transformational leadership style in influencing the performance of millennial generation employees by testing self-ability as a mediating factor. By implementing transformational leadership, leaders not only stimulate motivation for their followers but also inspire them (Chan, 2020). This inspiration has a profound impact on self-efficacy and high expectations in employees, as demonstrated by the studies of Bayraktar & Jiménez (2020).

2. Literature Review

According to a number of leadership studies, millennial employees' performance can be positively impacted by the transformational leadership style (Lutfi & Siswanto, 2018). A leader that practices transformational leadership places a strong emphasis on inspiring and motivating subordinates to accomplish group objectives. Within the framework of this study, a correlation exists between transformational leadership and worker performance, which can be accounted for by self-efficacy, or

the conviction that one can accomplish objectives. This is because the transformational leadership style facilitates self-confidence in individuals, allowing them to believe in their ability to carry out work tasks optimally. According to Chan (2020), employees' self-efficacy is positively impacted by transformational leadership. In the meantime, several earlier research has elucidated the favorable correlation between worker performance and self-efficacy.

However, research that discusses explicitly transformational leadership style with self-efficacy on performance for millennial employees who work in the banking sector has not yet been widely researched. For instance, the study by Sürücü et al. (2022) looks at how transformational leadership affects worker performance on an individual basis in a variety of industries, including banking, insurance, electronics, construction, and health. This has the potential to bias the results because the impact of transformational leadership felt between employees from different sectors may vary. Another study from Alwali & Alwali (2022) tested the effect of transformational leadership practiced on job performance only among healthcare professional workers. Wardani & Eliyana (2020) built a study with the same concerns as those of banking employees but did not specifically test it on millennial generation employees.

H1: Transformational leadership has a positive effect on the self-efficacy of millennial generation employees.

According to Alameri & Alrajawy (2020), a leader's use of a transformational leadership style significantly impacts how well his team members perform. Job performance is the achievement or result of a task completed by an employee in the organization with a predetermined quantity and quality. The transformational leadership style serves as the lever of employee morale to improve performance (Han et al., 2020). Research by Wardani & Eliyana (2020) states that transformational leadership style significantly affects employee's job performance.

H2: Transformational leadership has a positive effect on the performance of millennial generation employees.

Self-efficacy is a person's belief in their ability to complete tasks or function efficiently (Arifin et al., 2021). Self-efficacy in employees can influence how well they can overcome challenges, achieve goals, and perform well in the work environment (Chan, 2020). An employee's self-efficacy can be increased with the support of a transformational leadership style, which will ultimately affect employee performance (Avianda, 2018).

H3: Self-efficacy has a positive effect on the performance of Millennial Generation employees.

H4: Transformational leadership has a positive effect on the performance of millennial generation employees through self-efficacy.

3. Methods

The research was conducted in May-June 2024 at PT. Bank Rakyat Indonesia, Persero (Tbk). The study's population consists of millennial workers at The Semarang Regional Office of PT. Bank Rakyat Indonesia, Persero (Tbk). The total sample for this research was 106 employees, with the millennial generation category obtained using a purposive sampling technique. It is a quantitative study since the data employed in this study is in the form of respondent response numbers. Respondents were given closed questionnaires to complete to collect research data. A Likert scale of 1 to 5 is used in this research questionnaire. Partial Least Square

(PLS) was employed in data analysis with the aid of the Smart-PLS 3 program. Four question items created by Mañas-Rodríguez et al. (2020) were used to assess the transformational leadership style variable, while four question items taken from Avianda (2018) were used to measure the self-efficacy variable, and employee performance variables were measured by five question items with a scale created by Astuti et al. (2023).

4. Results and Discussion

In this study, the characteristics of the respondents based on gender, age, education, and length of employment were presented using descriptive analysis to provide an overview of the research respondent data.

Table 1. Descriptive Analysis

No	Variable	Frequency	Percentage
1	Gender		
	Male	47	44.3%
	Female	59	55.7%
2	Age		
	28-35 years old	80	75.5%
	36-43 years old	90	84.9%
3	Education		
	Master	8	7.5%
	Bachelor	89	84%
	Senior High School	9	8.5%

Data analysis using Smart-PLS 3 was carried out through two stages: outer model and inner model testing (Hair et al., 2020). All constructs used in this research have met convergent, discriminant, and reliability validity tests for testing the outer model. Inner model testing in this research is used to see whether the proposed hypothesis is accepted or rejected.

Table 2. Hypotheses Testing Result

Hypotheses	P Values	Result
Self-Efficacy -> Employee Performance	0.000	Accepted
Transformational Leadership Style-> Employee Performance	0.042	Accepted
Transformational Leadership Style -> Self-Efficacy	0.000	Accepted
Transformational Leadership Style -> Self Efficacy-> Employee Performance	0.000	Accepted

The first hypothesis, which posits that there is a positive effect of transformational leadership on the self-efficacy of millennial employees, is supported by a significant P-value of 0.000. This emphasizes how important transformational leadership style characteristics are for raising the self-efficacy of millennial employees in the banking industry. These indicators include the leader's ideal impact, inspirational motivation, intellectual stimulation, and individual. These results are consistent with an earlier study by Bayraktar & Jiménez (2020), which highlights the beneficial impact of self-efficacy on performance.

The second hypothesis, which states that transformational leadership positively affects the performance of millennial employees, is accepted (p=0.042). These results, which have direct implications for leadership practices, explain that the transformational leadership style facilitates the achievement of millennial generation employee performance, which includes increasing performance in the amount of

work output, quality resulting from work, punctuality at work, attendance at the office, and ability to collaborate with other employees. According to, transformational leadership can encourage better performance and create a dynamic and productive work environment. The findings support the research of Wardani & Eliyana (2020), which makes it clear that employee performance is only somewhat improved by transformative leadership.

The hypothesis which posits that self-efficacy has a positive effect on the performance of millennial generation employees (H3), is accepted with a P-value of 0.000. This shows that the role of individual active mastery, experience from other individual representatives, verbal persuasion from other individuals, and physiological and emotional states in self-efficacy can positively increase the performance of millennial generation employees in the banking sector. It is following the opinion of Djourova et al. (2019), which states that individual self-confidence, as reflected in self-efficacy, can influence individual behavior to work effectively and enthusiastically so that the results achieved in their work will be optimal. The findings of this study are consistent with other research that has been done by Chan, (2020), which indicates that high levels of employee self-efficacy will improve performance.

The last hypothesis, which claims that self-efficacy mediates the relationship of transformational leadership on millennial generation employees' performance, is accepted (P value=0.000). These results explain that leaders applying a transformational leadership style, which includes inspiration, motivation, and support for employees, will increase employee self-confidence (self-efficacy). This increase in self-efficacy has a positive impact on increasing the performance of millennial generation employees. The findings are consistent with previous study Avianda (2018), indicating that self-efficacy acts as a mediator in the relationship between transformational leadership and individual performance.

5. Conclusion

The research has confirmed the proposed research objectives, with the findings showing that all hypotheses are accepted. The transformational leadership style has proven effective in directly and indirectly improving millennial generation employees' performance in the banking sector. A more significant impact of transformational leadership style on the performance of millennial employees in the banking industry is made possible by the mediating effect of self-efficacy on the relationship between employee performance and transformational leadership style. The research results can be important information for managerial-level leaders of organizations in the banking sector in implementing a leadership style appropriate for millennial generation employees to achieve high performance. The limitations of this research are related to the relatively small sample size, so the generalization of the research results may not be comprehensive. Future research should investigate other leadership styles relevant to millennial generation employees.

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