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The Effect of Transformational Leadership Values on Worker Performance

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Abstract

The performance of banking credit in the consumer sector, particularly in property loans, has shown significant improvement in line with the post-pandemic economic recovery. This growth fosters optimism for the consumer business, as reflected by the rising demand for both commercial and FLPP housing each year. The increasing trend in property demand highlights the sector's sustainable growth potential, bolstered by government policies such as tax incentives for property purchases and FLPP housing development programs. Consequently, the opportunity for consumer credit expansion in the Regional Office area is substantial. Additionally, consumer credit significantly enhances the Yogyakarta Regional Office's performance, given its relatively low non-performing loan (NPL) risk. However, challenges remain in consumer loan marketing, with the KPR achievement rate at 93.01% still below optimal levels. Similarly, as of October 2024, key metrics such as Special Attention Debtors (DPK) and NPL have yet to meet the current year's RKAP targets. This study aims to examine the impact of transformational leadership on employee performance, focusing on Relationship Managers (RMs) and RM KPP within the Yogyakarta Regional Office. It explores how transformational leadership values—such as inspirational motivation, personal development, and empowerment—affect RMs' productivity and efficiency in meeting consumer business performance goals. A mixed-methods approach combining surveys and interviews is utilized to gather data from KPP RMs in the Yogyakarta Regional Office, using instruments that assess perceptions of leadership style and its correlation with performance. The findings are expected to offer practical insights for designing leadership training programs to enhance team performance by implementing transformational leadership principles. Furthermore, the study aims to provide recommendations for the banking industry on developing effective leadership strategies to boost consumer credit growth and overall productivity in the Yogyakarta Regional Office.

Keywords

Transformational Leadership, Employee Performance, RM Mortgage, Mixed Methods

1. Introduction

Employee performance plays a pivotal role in the success of the banking sector, particularly in property financing, where the role of a Relationship Manager for Property Loans (RM KPP) is essential. The ability to meet consumer credit demands, especially in the property segment, and the overall efficiency of loan marketing heavily depend on employee effectiveness. Following the economic recovery after the COVID-19 pandemic, the demand for property loans has surged, driving significant growth within the industry. This expansion has been further propelled by government policies, including tax incentives for property purchases and efforts to increase subsidized housing availability through the FLPP (Fasilitas Likuiditas Pembiayaan Perumahan) program (Dekoulou et al., 2023). These factors suggest a promising outlook for consumer credit markets, particularly in regional offices such as Bank BRI's Yogyakarta Regional Office, where demand for both commercial and subsidized real estate is on the rise. Despite these favorable conditions, the Yogyakarta Regional Office continues to face challenges in achieving its consumer loan performance targets. Key Performance Indicators (KPIs) such as debtor outreach, outstanding mortgage achievement, and non-performing loan (NPL) control remain difficult to fulfill. For instance, by October 2024, the outstanding mortgage performance stood at 93.01%, highlighting room for improvement. Additionally, metrics related to NPL and Special Attention (DPK) have not reached expected levels, pointing to ongoing deficiencies in loan management and debtor quality monitoring. These shortcomings demonstrate that, despite robust growth opportunities in the consumer credit sector, core issues persist in enhancing the efficiency and productivity of relationship managers responsible for handling and promoting consumer loans (Keong, 2020; Kurniadi et al., 2024).

A significant factor that can influence an employee's ability to achieve performance targets is their leadership experience and approach. Leadership styles that focus on empowerment and motivation—particularly transformational leadership—are widely recognized as effective methods for boosting employee engagement, productivity, and overall success. Transformational leadership, characterized by elements such as charismatic influence, intellectual stimulation, individualized support, and motivational inspiration, has been linked to improved employee performance across numerous sectors. Leaders employing this style foster innovation, encourage professional growth, and inspire their teams by sharing a powerful vision and cultivating an environment where success and creativity thrive (Asif, 2021; Chen et al., 2022). Research on the relationship between transformational leadership and employee performance has yielded consistently positive results in recent years. Studies highlight how this leadership style enhances organizational commitment, job satisfaction, and workforce engagement, all of which contribute to superior performance outcomes. Employees are more likely to exceed expectations and actively support business goals when their leaders demonstrate empathy, clear vision, and magnetic influence. This dynamic is especially vital in high-pressure industries like financial services, where navigating complex client needs and regulatory requirements is part of daily operations. Transformational leaders help mitigate the stress associated with these roles by fostering a supportive and appreciative workplace, allowing employees to maximize their potential (Yücel, 2021; Abdillah et al., 2024).

Operating in a highly competitive financial sector, the Yogyakarta Regional Office faces the critical challenge of achieving property loan targets to sustain growth and maintain its market position. The Property Loan Relationship Manager (RM KPP) plays a pivotal role in this effort, overseeing customer engagement, loan portfolio management, and adherence to key risk and performance indicators. Given these responsibilities, consistent high performance from RM KPPs is essential,

underscoring the need for leadership that motivates, mentors, and unlocks employee potential. However, research examining the direct impact of transformational leadership on RM KPP performance in the banking sector remains limited. Most existing studies explore leadership broadly, focusing on its influence on overall organizational culture or outcomes, rather than delving into its specific effects on relationship managers tasked with meeting consumer property lending targets (Kılıç & Uludağ, 2021). This research seeks to address this gap by analyzing how transformational leadership affects the performance of employees in the Yogyakarta Regional Office. Concentrating on the consumer property loan segment, the study aims to explore how transformational leadership strategies can enhance the productivity, effectiveness, and goal-achievement capabilities of RM KPPs, ultimately contributing to improved organizational performance.

2. Literature Review

2.1. Definition Of Transformational Leadership Values and Employee Performance

Transformational leadership revolves around key principles that drive leaders to inspire employees, encouraging them to prioritize collective goals over personal interests. Among these principles is idealized influence, where leaders earn trust and admiration by demonstrating integrity, ethical behavior, and serving as role models. Through inspirational motivation, transformational leaders ignite enthusiasm and commitment by articulating a clear, motivating vision that unites their teams. Intellectual stimulation plays a vital role as well, as leaders foster a culture of creativity and innovation by challenging conventional thinking and encouraging employees to explore fresh perspectives for continuous growth. Additionally, individualized consideration highlights a leader's attentiveness to unique employee needs, offering personalized support, mentoring, and developmental opportunities to help individuals achieve their highest potential (Friska et al., 2023; Judson et al., 2024).

Employee performance reflects how well an individual contributes to achieving the team's and organization's goals by fulfilling their assigned responsibilities, tasks, and objectives. It encompasses the ability to meet or exceed established performance benchmarks while demonstrating consistency, quality, and efficiency in their work output. Performance evaluations often consider factors such as productivity levels, work accuracy, time management skills, teamwork, and adaptability to changing demands. High-performing employees typically exhibit strong dedication, effective collaboration, proactive behavior, and problem-solving capabilities that align with organizational goals. Since the overall success, competitiveness, and innovation of a business are heavily influenced by the collective efforts of its workforce, employee performance plays a pivotal role in shaping the organization's long-term achievements (Wahid & Sarfiah, 2021; Abdelwahed & Doghan, 2023).

2.2. Related Theories

Transformational leadership theory emphasizes the role of leaders in motivating and inspiring employees to reach their full potential. This approach suggests that transformational leaders foster deep connections with their teams by establishing trust, encouraging innovation, and cultivating a shared sense of purpose—going beyond the mere provision of instructions or incentives (Pamela & Indrawati, 2022). The theory identifies four key behaviors of transformational leaders: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. These practices not only enhance employees' commitment to organizational goals but also improve job satisfaction and encourage exceptional performance. As a cornerstone of leadership research, this theory highlights the

power of a leader's actions and values in driving employees to excel, making it particularly relevant in dynamic and collaborative environments (Jun & Lee, 2023).

Social Exchange Theory, originally developed in sociology, suggests that relationships are built on a series of exchanges where individuals aim to maximize rewards while minimizing costs. In the workplace, transformational leaders play a key role by offering their employees guidance, support, and growth opportunities. In return, employees often feel a sense of obligation to reciprocate. When leaders demonstrate genuine concern for their team's well-being and development, employees typically respond with greater loyalty, commitment, and performance. This mutual exchange cultivates a positive work environment, encouraging employees to go beyond their basic responsibilities. Together, these theories provide valuable insights into how transformational leadership can enhance employee performance by inspiring leadership practices and nurturing strong, supportive relationships between leaders and staff (Nazir et al., 2018; Prameswari et al., 2024).

By exemplifying idealized influence, providing intellectual stimulation, offering inspiring motivation, and delivering personalized support, transformational leaders create an environment where employees feel valued, motivated, and aligned with the organization's goals. These leaders earn the trust and respect of their teams by demonstrating ethical behavior and maintaining high standards, inspiring employees to contribute meaningfully to the organization's success. When leaders articulate a clear and compelling vision, they energize employees to work diligently and passionately toward shared objectives. This sense of purpose not only enhances individual performance but also nurtures a culture of innovation and collective achievement. Transformational leaders further challenge employees to think creatively and approach problems from fresh perspectives, fostering intellectual growth. This emphasis on innovation and problem-solving cultivates a forward-thinking mindset, empowering employees to adapt to changes and propose improvements to processes or products (Mulyana et al., 2022; Mouazen et al., 2023).

Manzoor et al. (2019) found that transformational leadership plays a significant and direct role in predicting job performance. The study highlights that corporate social responsibility (CSR) significantly mediates the relationship between transformational leadership and job performance. These findings emphasize the critical role of CSR, transformational leadership, and job performance in driving organizational success. The research also explores the theoretical implications, offering valuable insights for future studies in this area. Zaw & Takahashi (2022) discovered that work engagement serves as a partial mediator in the positive relationship between transformational leadership and contextual performance. Moreover, mindful awareness strengthens the link between transformational leadership and work engagement. This study contributes to the literature by providing empirical evidence for the role of mindful awareness as a personal resource, addressing its debated contextual application. Research by Kim et al. (2023) suggests that the four dimensions of transformational leadership affect organizational identity and creativity in different ways. While intellectual stimulation fosters creativity, leading to improved task performance, core transformational leadership and supportive leader behavior strengthen employees' organizational identity. Post hoc analysis reveals that organizational identity fully mediates the relationship between certain aspects of transformational leadership and creativity. This study expands the understanding of transformational leadership's influence on employees, enriching leadership theory and social identity theory. Practical and theoretical implications are also proposed.

4. Results

The research utilized both quantitative and qualitative methods for data analysis. Quantitative data was processed using statistical tools such as regression analysis,

correlation analysis, and descriptive statistics to uncover significant relationships between transformational leadership principles and employee performance indicators (Sekaran & Bougie, 2019). Meanwhile, qualitative data derived from interviews was analyzed through thematic analysis, which involved identifying recurring themes and insights. Thematic coding enabled the discovery of patterns and provided a deeper understanding of how transformational leadership principles align with employee behaviors and influence their day-to-day performance. The integration of quantitative and qualitative data facilitated a comprehensive evaluation of the research findings, balancing objective metrics with subjective experiences tied to transformational leadership. The results were interpreted in relation to the operational roles of the RM KPP, particularly regarding property loan management. These findings offer practical recommendations to improve employee performance and leadership practices within the Yogyakarta Regional Office. Furthermore, the study aims to inform leadership development and training programs designed to enhance the effectiveness of RM KPPs by leveraging transformational leadership strategies. Ultimately, the research aspires to contribute actionable insights for driving sustainable performance improvements in the banking industry.

Various studies have measured the impact of transformational leadership using quantitative methods, highlighting different variables and outcomes. Manzoor et al. (2019) found that transformational leadership improves work performance, with commitment and Corporate Social Responsibility (CSR) acting as mediating factors, using the Multifactor Leadership Questionnaire (MLQ) as their instrument. Similarly, Kim et al. (2023) demonstrated that intellectual stimulation from leaders enhances employee creativity, which positively contributes to task performance, using both the MLQ and a Creativity Scale. Zaw & Takahashi (2022) explored the role of work engagement in mediating the relationship between transformational leadership and contextual performance, utilizing the Utrecht Work Engagement Scale (UWES) and MLQ as measurement tools. Meanwhile, Nazir et al. (2018) showed that organizational commitment influenced by transformational leadership fosters innovative behavior, using the Organizational Commitment Scale and MLQ. Additionally, Chen et al. (2022) highlighted that transformational leadership increases job satisfaction through the creation of a positive employee relationship climate, as measured by the MLQ and Job Satisfaction Scale. These studies collectively emphasize the significant role of transformational leadership in improving various aspects of employee performance and organizational outcomes.

Several scales are commonly used to measure variables related to transformational leadership and its effects on employee performance. The Multifactor Leadership Questionnaire (MLQ) is frequently employed to assess transformational leadership through dimensions such as intellectual stimulation, idealized influence, and inspirational motivation. This scale helps to understand how leaders inspire and influence their teams. The Worker Job Engagement Scale (UWES) is used to measure employee work engagement by evaluating motivation and dedication to work, especially in leadership contexts. This scale is valuable for understanding the extent to which leaders enhance employees' psychological investment in their tasks. The Organizational Commitment Scale Worker measures the level of employees' attachment to their organization and their willingness to contribute more to achieving organizational goals, which can be influenced by transformational leadership. Lastly, the Employee Job Satisfaction Scale assesses the degree of satisfaction employees feel toward their jobs, often considering how interpersonal relationships and a positive work climate, created by transformational leaders, impact overall job satisfaction. These scales play a vital role in evaluating the effectiveness of leadership styles in improving employee engagement, commitment, and satisfaction within organizations.

3. Methods

This study investigates the impact of transformational leadership values on the performance of Relationship Managers of Property Ownership Credit (RM KPP) in the Yogyakarta Regional Office through a mixed methods approach that integrates both quantitative and qualitative research techniques. By blending detailed qualitative perspectives with quantitative data, this approach allows for a comprehensive exploration of the phenomenon, providing deeper insights into how leadership values shape performance outcomes. This methodology aligns with Creswell's (2019) assertion that combining data sources in mixed methods research enhances the validity of findings and enables a more holistic analysis of the effects of transformational leadership within the banking sector. To gather quantitative data, Relationship Managers of Property Ownership Credit (RM KPP) in the Yogyakarta Regional Office were asked to complete a structured survey. This survey assessed employees' perceptions of transformational leadership values such as empowerment, inspiration, motivation, and growth opportunities. It also evaluated the perceived impact of these leadership values on performance metrics, including efficiency, productivity, and goal attainment. The quantitative phase focused on empirical assessments, employing statistical tools like regression analysis to identify patterns and correlations, determining which leadership values most significantly influence employee performance outcomes.

To complement the quantitative findings, semi-structured interviews were conducted with selected Property Ownership Credit Relationship Managers (RM KPP) in the Yogyakarta Regional Office. These interviews explored participants' personal experiences and perspectives on how transformational leadership values affect their motivation and job performance. This qualitative component aims to provide richer context by examining how leadership behaviors are perceived and how they shape employees' attitudes and actions in the workplace. Consistent with Patton's (2015) emphasis, qualitative methods such as interviews allow for the exploration of nuanced, human-centered phenomena that may not be fully captured through quantitative analysis alone. This study employed purposive sampling to select Relationship Managers of Property Ownership Credit (RM KPP) working directly with creditor customers in the Yogyakarta Regional Office. This approach ensures that the participants possess relevant expertise and familiarity with transformational leadership practices and their impact on performance within the banking sector. By focusing on individuals with specific knowledge or experience related to the research topic, purposive sampling enhances the relevance and quality of the data collected (Sekaran & Bougie, 2019).

6. Conclusion

Transformational leadership has proven to be a highly effective leadership style in enhancing employee performance across various industries. Leaders who embody transformational values inspire their teams by fostering a shared vision, encouraging innovation, and building a supportive work environment. This leadership style emphasizes idealized influence, where leaders act as role models, demonstrating integrity and ethical behavior, which earns the trust and respect of employees. Additionally, transformational leaders use inspirational motivation to articulate a compelling vision that unites their teams, driving them to achieve organizational goals beyond their personal interests.

One of the key benefits of transformational leadership is its ability to empower employees through intellectual stimulation and individualized consideration. By promoting creative problem-solving and challenging conventional approaches, leaders encourage employees to think independently and contribute fresh ideas to their work. Through personalized support and mentoring, transformational leaders address individual employee needs, fostering a culture of continuous development

and growth. This approach enhances employee engagement, job satisfaction, and commitment, which ultimately leads to higher performance outcomes.

From a research perspective, both quantitative and qualitative methods have been used to measure the impact of transformational leadership on employee performance. Quantitative studies often utilize tools like the Multifactor Leadership Questionnaire (MLQ) to assess leadership dimensions and their correlation with performance metrics. These studies provide numerical data that highlight the direct impact of transformational leadership on productivity, creativity, and employee engagement. Meanwhile, qualitative research offers deeper insights by exploring employees' experiences and perceptions of their leaders, shedding light on how transformational leadership influences workplace dynamics on a personal level.

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