

**THE EFFECT OF TRANSFORMATIONAL LEADERSHIP STYLE
TOWARDS EMPLOYEES' PERFORMANCE WITH WORK MOTIVATION
AS A MEDIATING VARIABLE ON EMPLOYEES OF FIF AMBON
BRANCH DURING THE COVID-19 PANDEMIC**

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ABSTRACT

This research aims to analyze the effect of transformational leadership style on employees' performance with work motivation as a mediating variable. The population in this research are all employees of PT. Federal International Finance, Ambon Branch, located at Jln Dr. Soetomo, Honipopu Village, Sirimau District. The sample used in this research amounts to 37 employees. The analysis tool used is Partial Least Square (PLS). Transformational leadership style has a positive effect on employee work motivation. The results also prove that work motivation has a positive effect on employees' performance. Furthermore, transformational leadership style has a positive effect on employees' performance mediated by employee work motivation.

Keywords: *Transformational leadership style, work motivation and employees performance.*

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1. INTRODUCTION

The COVID-19 pandemic that is currently hitting the world has caused a transformation in every organization, in which the most prominent one is the existence of social restrictions that have an impact on work patterns that are no longer face to face in order to break the chain of the virus, so it doesn't spread further. Every organization has steps in achieving its objective goals, which is inseparable from the role of human resources on it.

Human resources are an important factor in an organization or company, in which management activities can run well if the company has knowledgeable and highly skilled employees and attempts to manage the company as optimally as possible so that the employees' performance could increase. According to Werther and Davis (1996) in Sutrisno (2013), human resources is the employees who are ready, capable and in aware of achieving organizational goals. As stated, the main dimension of the resource hand is its contribution to the organization, while the main dimension of human is the treatment of one's contribution which in turn will determine the quality and capability of one's life. In improving the performance of its employees, the company takes several ways, for example through education, training, proper compensation, leadership style, creating a conducive work environment, and providing motivation.

Optimal utilization of employee capabilities can be carried out and is able to unite the perspectives of the different nature and character of each employee into one goal, that is the company's goal. In this regard, the leaders' role is to motivate employees to work in accordance with the efforts to achieve organizational goals. The success of a leader is very much influenced by his leadership model, which includes the ability to lead and build interaction among leaders, subordinates, superiors, organizations, and the environment. One type of leadership that is suitable in dealing with all changes is the transformational leadership style. According to (Kharis, 2015), research on leadership is more focused on transformational leadership. Transformational leadership is one of the important dimensions of effective leadership which is also the strongest predictor of leadership outcomes, such as the extra effort of subordinates on leadership skills (Adriano & Dr. Romat Saragih, 2018). The leadership model displayed by a transformational leader is expected to increase the efforts of subordinates to achieve optimal work results. Transformational leadership is able to inspire others to look at the future optimistically, projects an ideal vision, and be able to communicate that vision so that it can be achieved (Tampi, 2014).

Motivation is a factor that encourages a person to perform certain activities, hence, motivation is often interpreted as a driving factor of a person's behavior. Every activity carried out by a person must have a factor that drives the activity. Therefore, the driving factor for a person to carry out a certain activity in general is the person own needs and desires (Devi Adniaty, 2013).

The notion of motivation as stated by Wexley and Yukl in Sutrisno (2013), is the giving or arising of a motive or it can also be interpreted as a thing or state of being motivated. So, motivation is something that causes enthusiasm or encouragement to work. The importance of work motivation for a company is as a driving factor for employees. Performance can be assessed from the work motivation of its employees. In essence, giving motivation means that it has provided opportunities for employees to work well and get what is expected, so that employees can and enable to develop abilities. To get good performance and increase work results, an employees must have a spirit of professionalism as the mental attitude of employees who always encourage themselves to become professional employees.

According to Milner in Sutrisno (2011), performance is how a person is expected to function and behave in accordance with the tasks that have been assigned to him/her. Any expectations about how a person should behave in carrying out tasks is indicated from a role in the organization. The achievement of organizational goals is only possible by the efforts of the actors in the organization. Performance is the result of work that can be achieved by a person or group of people in the organization, which in accordance with their respective authorities and responsibilities in an effort to achieve the goals of the intended organization legally, by not violating the law and following the existing morals and ethics. Employees' performance is influenced by several factors, either related to the workforce itself or those related to the organization. One of the things that affect employees' performance is leadership style and motivation. Leadership style itself is one of several factors that affect employees' performance, and motivation is an effort to encourage employees to affect performance. Because without a leadership style and motivation, all the activities that be carried out will bring unsatisfactory results and not in line with expectations.

PT. Federal International Finance (FIF) is a company engaged in consumer finance, especially for motorcycle and electronic products financing. Branch manager (Head of Branch) as a leader in the company of PT.FIF Ambon Branch applies a transformational leadership style to grow employees' performance. The application of the transformational leadership style is carried out by the head of branch by providing the ideal

influence, including briefings that are carried out every day before the employees do their work. The briefing is conducted to evaluate the results of the work that was carried out on the previous day. Through briefing, employees can convey new aspirations and ideas so as to provide suggestions for making a decision. Additionally, leaders also empower the abilities of employees by providing intellectual stimulation and paying attention to employees as different individuals. This has a positive effect on the employees' performance.

The high transformational leadership style of the leader will help the company in improving the performance of its employees. The lack of a transformational leadership style that is applied in an organization or agency will be able to affect employees' performance. Because the leadership factor is an important factor in providing direction to employees. Leadership that can drive employees work motivation is the leadership that can build up employees' confidence in carrying out their respective duties.

In respond to the COVID-19 pandemic, PT. FIF also seeks to prevent the spread of this virus, including the implementation of work shifts, work from home, physical distancing, social distancing, COVID 19 protocols, use of masks at work, and available place to wash hands and germ-killing liquid. This was done by following President Joko Widodo's direct instructions through a press conference at the Bogor Palace on March 15, 2020, including the contents of the press, entitled "It's time for us to work from home, study from home, worship at home, as work from home is a concept where employees can do their work at home (Ratriani, 2020).

This current pandemic causes the existence of the organization to change the dynamics of organizational development (Winanti & Mas'udi, 2020). Future-based organizations are organizations that are consistent in being innovative and adaptive which respond swiftly when changes occur (Prayudhayanti, 2014). However, according to Clapham and Cooper (2005), organizational members are the main source of data and the main role that the organization relies on (Acaray & Akturan, 2015). This is supported by the statement of Khazanchi, Lewis, & Boyer (2007) since members participation in decision making is important for the organization (Shahzad, Xiu, & Shahbaz, 2017). However, it is disturbed by the COVID-19 pandemic which has affected the whole world nowadays, especially Indonesia.

Research regarding the effect of transformational leadership style and work motivation on employees' performance has been done before. In research that has been conducted by Nugrohoseno (2015) shows that transformational leadership and work motivation have a positive and significant effect on the employees' performance in the Human Capital Division of PT Sumber Alfaria Trijaya, Tbk. Sidoarjo Branch. Furthermore, research conducted by Annisa Pratiwi (2014) concludes that motivation and work discipline simultaneously affect the employees' performance at PT. Telekomunikasi Indonesia, Tbk. Telkom Pekalongan Region. Junaidi (2010) concludes that transformational leadership and work motivation have a significant effect on employees' performance at PT. GHIMLI Indonesia in Batam. Then research conducted by Weni Oktafia (2015) shows that work discipline and motivation simultaneously have a significant effect on the performance of factory employees at Soraya. Devi Adniaty (2013) concludes that employee motivation and employee work discipline simultaneously have a positive effect on employees' performance.

From the several previous research above, there are not many involving work motivation as a mediating variable yet, but several have stated that work motivation is as a fully mediating variable on the influence of leadership style and organizational culture on performance (Wahyuni, 2015), in addition to research by Febriansyah et al. al (2019) which find that motivation fully mediates the influence of leadership and ability on employees' performance.

This research aims to analyze the effect of transformational leadership style towards employees' performance with work motivation as a mediating variable on employees of FIF Ambon Branch during the covid-19 pandemic.

2. LITERATURE REVIEW

Transformational Leadership Style

Transformational leadership style is a leader who inspires his followers to put aside their personal interests and has extraordinary influencing abilities (Robbins and Judge, 2008). Transformational leadership is also a leader who devotes his/her attention to the problems faced by his/her followers and the development needs of each follower by providing enthusiasm and encouragement to achieve his/her goals (Robbin, 2008).

The indicators of transformational leadership style according to Bass and Avolio (in Voon et al, 2011) are as follows:

a) Idealized Influence

The ideal influence relates to the reaction of subordinates to the leader. Leaders serve as role models, trusted, respected and have a clear vision and mission according to the perception of subordinates that can be realized.

b) Intellectual Stimulation

Leaders encourage subordinates to be more creative and encourage their subordinates to use new approaches that are more rational in making decisions and are careful in solving existing problems.

c) Individualized Consideration

The leader gives personal attention to his/her subordinates, such as treating them as a whole person, considering the needs of his/her subordinates, and training and giving advice to his/her subordinates.

The principles that must be created by a transformational leader, that are (Erik Rees, 2001):

1) Simplification

The success of leadership begins with a vision that will be a mirror and a common goal. The ability and skills to express a clear, practical, and transformational vision that can answer Where are we going? Would be the first thing that is important to be implemented.

2) Motivation

The ability to get the commitment of everyone involved to the vision that has been described is the second thing we need to do. When a transformational leader can create a synergy within the organization, it means that he/she should also be able to optimize, motivate and energize each of his/her followers. In practice, it can be in the form of a task or work that is really challenging and provides opportunities for them to be involved in a creative process either in terms of making suggestions or making decisions in problem solving, so that it will also provide value added for themselves.

3) Facilitation

In terms of the ability to effectively facilitate learning that occurs within the organization institutionally, in groups, or individually. This will have an impact on increasing the intellectual capital of everyone involved on it.

4) Mobilization

It means the mobilization of all available resources to complement and strengthen everyone involved in achieving the vision and goals. Transformational leaders will always seek followers who are fully responsible.

5) Alert

It is the ability to always be ready to learn about themselves and welcome the changes with a new positive paradigm.

6) Determination

It is the determination to always arrive at the end, the determination to get things done well and thoroughly. For achieving this, of course it also needs to be supported by the development of spiritual, emotional, and physical disciplines as well as commitment.

Work Motivation

According to Hasibuan (2013), motivation comes from the Latin word, that is 'move' which means encouragement or moving. Motivation in management is only aimed at human resources in general and subordinates in particular. Motivation directs the power and potential of subordinates so that they want to work together productively to achieve and realize the goals that have been determined. Motivation is important because it is the thing that causes, distributes, and supports human behavior so that they want to work hard and enthusiastically achieve optimal results.

According to Notoatmodjo (2009), work motivation is a reason for a person to act in order to meet the needs of his/her life. While according to Rivai (2008), motivation is a series of attitudes and values that influence individuals to achieve specific things according to individual goals. These attitudes and values are invisible which provide the power to encourage individuals to behave in achieving goals.

Gitosudarmo in Sutrisno (2009), states that motivation to work is very important for the high and low productivity of the company. Without the motivation of employees to work together for the benefit of the company, the goals that have been set will not be achieved. Conversely, if there is high motivation from employees, then this is a guarantee for the company's success in achieving its goals.

So, it can be concluded that work motivation is something that directs, encourages, and creates one's work enthusiasm to eagerly work together and work effectively to achieve the goals of the organization or agency that has been set.

There are several objectives achieved from providing motivation according to Malayu S. P Hasibuan (2008), in which they are:

- 1) Improve employees' morale and job satisfaction,
- 2) Increase employees work productivity,
- 3) Maintain the stability of employees in the organization or agency,
- 4) Improve employees' discipline,
- 5) Make affective the procurement of employees,
- 6) Create a good working atmosphere and relationship,
- 7) Increase employees' loyalty, creativity and participation,
- 8) Improve the level of employees' welfare,
- 9) Enhance employees' sense of responsibility towards their duties,
- 10) Improve the efficiency of using tools and raw materials.

Sutrisno (2009) suggests that motivation which is a psychological process is influenced by several factors. These factors can be distinguished into internal factors and external factors derived from employees:

- 1) Internal factors
 - a) Desire to live.
 - b) Obtain adequate compensation.
 - c) Permanent work even though the income is not so adequate.
 - d) Safe and comfortable working conditions.
 - e) Desire to own something.
 - f) Desire to get reward.
 - g) Desire for recognition
- 2) External factors
 - a) Working environment conditions
 - b) Adequate compensation
 - c) Good supervision
 - d) There is a guarantee in job
 - e) Status and responsibilities

In this case, the researcher uses motivation indicators from Maslow's theory. The theory of the hierarchy of needs according to Maslow in Sofyandi and Garniwa (2007) consists of:

- 1) Physiological Needs: the most basic human needs which are the needs to be able to live such as eating, drinking, housing, oxygen breathing, sleeping and so on.
- 2) Safety Needs: Includes a sense of wanting to be protected from physical and emotional harmness. Humans need a sense of security when living their lives, which can be in the form of security protection at work, personal or family health insurance, guarantees for the continuity of their work, security guarantees when in old age and not working or not being productive anymore.
- 3) Social Needs: Includes affection, belonging, acceptance, friendship.
- 4) Appreciation Needs: Includes internal esteem factors such as self-respect, autonomy, and achievement; and external esteem factors such as status, recognition, and attention.
- 5) Self-Actualization Needs: the drive to become someone according to their abilities, including growth, achieving one's potential and self-fulfillment.

Employees' performance

One way that can be used to see the development of a company or organization is by looking at the results of the performance appraisal. From the results of the performance appraisal, can be seen that the company's performance is reflected by the employees' performance (Rivai, 2008). Performance according to (Anwar Prabu Mangkunegara, 2010) is "work performance or results (output) both quality and quantity achieved by human resources per time unit in carrying out their work tasks according to the responsibilities given to them".

Employees' performance is the behavior shown by all individuals as work performance pulled out by employees (Rivai and Sagala, 2009). While according to Suharnomo (2013), employees' performance is one of the important keys for an organization or company because every company cannot undergo an improvement only from the efforts of one or two people, as it should be from the efforts of the whole company members.

According to Bambang Kusriyanto (in Mangkunegara, 2009), employees' performance is a comparison of the results achieved with the participation of the efforts per time (usually per hour). While according to Gomez, (in Mangkunegara, 2009) employees' performance in a form of an expression such as

output efficiency and effectiveness is often associated with productivity. Furthermore, the definition of employees' performance according to Anwar Prabu Mangkunegara (in Mangkunegara, 2009) which defined as work achievement is the result of work in quality and quantity achieved by an employee in carrying out one's duties in accordance with the responsibilities given to him/her.

From the opinions of the experts above, it can be concluded that the employees' performance is the result of work both quality and quantity achieved by employees upon business abilities and skills in carrying out their performance tasks in accordance with the responsibilities given to these employees to achieve organizational goals that have been set.

Individuals' character who has high performance by Mc. Clelland (in Mangkunegara, 2008) are:

- 1) Individuals who like to work and face moderate challenges.
- 2) Individuals who get less satisfaction if the work is very easy and tend to be disappointed if it is too difficult.
- 3) Individuals who like to get concrete feedback about the success of their work.
- 4) Individuals who tend to dislike the task if they do not achieve the desired performance.
- 5) Individuals who prefer to be personally responsible for the tasks they do.

In this case, it is necessary to consider cooperation, the emergence of constructive ideas, supportive training, and attitudes towards both self and customers as well as the general public.

Sutrisno (2011) suggests the factors that affect employees' performance are:

- 1) Work results, that is the level of quantity and quality that has been produced and the extent to which supervision is carried out.
- 2) Work knowledge, that is the level of knowledge related to tasks that will directly affect the quantity and quality of work results.
- 3) Initiative, that is the level of initiative while carrying out work assignments, especially in terms of handling problems that might arise.
- 4) Attitude, that is the level of morale and a positive attitude in carrying out work tasks.
- 5) Discipline of time and attendance, that is the level of punctuality and attendance.

Performance indicators according to Mathis and Jackson (2002), are:

- 1) Output Quantity
- 2) Output Quality
- 3) Output period
- 4) Attendance at work
- 5) Cooperative attitude

Relationship between Transformational Leadership Style and Employees' performance

Leadership style is something owned by a person in influencing a group of people or subordinates to work together and make efforts with enthusiasm and confidence to achieve the goals that have been set. In the opinion of several experts and researchers, there is a relationship between transformational leadership style and performance.

Frendy and Nugrohoseno (2015) with the results of their research, show that there is an influence of transformational leadership and work motivation on the employees' performance of the human capital division at PT. Sumber Alfaria Trijaya, Tbk. Sidoarjo Branch. The same thing is also found in Junaidi's research (2010), in which transformational leadership and work motivation have a significant influence on the employees' performance of PT PLN (Persero) UPJ Semarang. Based on the description above, the following hypothesis can be formulated as follows:

Hypothesis 1: Transformational leadership style has a positive effect on employees' performance.

The Relationship between Motivation and Employees' performance

Research conducted by Putra and Sudibya (2019) concludes that transformational leadership has a positive and significant effect on employees work motivation, in which the better the implementation of transformational leadership, the higher the level of work motivation possessed by the employees. Transformational leadership has a positive and significant effect on employees' performance, in which if transformational leadership goes well and effectively, it could have an effect on increasing employees' performance. Based on the description above, the following hypothesis can be formulated as follows:

Hypothesis 2: Transformational leadership style has a positive effect on work motivation.

The Relationship between Motivation and Employees' performance

Motivation is a very important factor in improving employees' performance. Employees who are motivated at work will be able to achieve optimal performance because good performance is a step to achieve organizational goals. According to the opinion of several experts and researchers, there is a relationship between motivation and performance. Annisa Pratiwi (2014) with the results of her research asserts that there is a significant influence between motivation and work discipline variables on the employees' performance of PT. Telekomunikasi Indonesia, Tbk. Telkom Pekalongan Region. Devi Adniaty (2013) also discovers that motivation and work discipline affect employees' performance at North Sumatra Provincial Revenue Service Office of PT. Binjai. The findings are also strengthened by Weni Oktafia (2015) who attests the influence of discipline and motivation on employees' performance at Soraya Bedsheet Siteba Padang (case study: factory section). Based on the description above, the following hypothesis can be formulated as follows:

Hypothesis 3: Work motivation has a positive effect on employees' performance.

The Relationship between Motivation and Employees' performance

Putra and Sudibya (2019) in their research reveal that work motivation is positively and significantly able to mediate transformational leadership style on employees' performance, in which if the leadership style applied can precisely direct organizational goals with individual needs, then the higher the motivation of the subordinates that will subsequently improve its performance. Based on the description above, the hypothesis can be formulated as follows:

Hypothesis 4: Transformational leadership style has a positive effect on employees' performance mediated by work motivation.

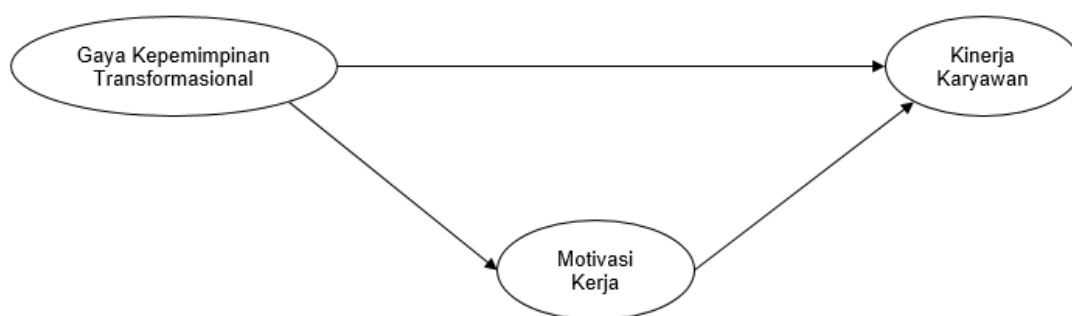


Figure 1. Research Model

3. RESEARCH METHODE

Research design

This research is an exploratory research and uses a survey design. The research is conducted on employees of PT. Federal International Finance Ambon Branch, which is located on Dr. Soetomo Street, Honipopu Village, Sirimau District.

Population and Sample

The population in this research are all employees of PT. Federal International Finance Ambon Branch located on Dr. Soetomo Street, Honipopu Village, Sirimau District. If each human provides one data, then the size or number of the population will be equal to the number of humans. The population in this research are 75 employees of PT. Federal International Finance Ambon Branch located on Dr. Soetomo Street, Honipopu Village, Sirimau District.

In this research, the researcher uses purposive sampling technique. According to Sugiyono (2016: 85), Purposive Sampling is a sampling technique of data sources with certain considerations. The reason the researcher uses the purposive sampling technique is because not all the samples have criteria that match the studied phenomenon. Therefore, the researcher chose the Purposive Sampling technique which establishes certain considerations or criteria that must be met by the samples used in this research.

The criteria used in this research are permanent employees who have worked for more than 5 years, for a reason that these employees already know and fully understand the object of research. In this research,

branch leaders are not included as samples, because leaders will be the object of research on leadership styles. Thus, the number of respondents in this research are:

Table 1. Number of Samples

No.	Department	Number of permanent employees who have worked for more than 5 years
1.	Credit	9
2.	Marketing	8
3.	Collector	8
4.	Operational	7
5.	R.I (<i>Reposes Inventory</i>)	5
	Total Samples	37

Data Quality Test

There are three criteria to assess the outer model, in which they are convergent validity, discriminant validity and composite reliability. Convergent validity of the measurement model with reflexive indicators is assessed based on the correlation between item scores/component scores calculated by PLS. Individual reflexive measures are said to be high if they correlate more than 0.70 with the measured constructs. However, according to Chin (1998) in Ghazali (2006), for research in the early stages of developing a measurement scale, the loading value of 0.5 to 0.6 is considered adequate.

Discriminant validity of the measurement model with reflexive indicators is assessed based on cross loading measurements with constructs. If the constructs correlation with the measurement item is greater than the size of the other constructs, thus it shows that the latent constructs predict the size of their block better than the size of the other blocks. Another method to assess discriminant validity is to compare the root of average variance extracted (AVE) value of each construct with the correlation between the constructs and other constructs within the model. If the AVE value of each construct is greater than the correlation value between the constructs and other constructs within the model, then it is said to have a good discriminant validity value (Fornell and Larcker, 1981 in Ghazali 2006).

If all indicators are standardized, then this measure is the same as the Average Communalities in the block. Fornell and Larcker (1981) in Ghazali (2006) state that this measurement can be used to measure the reliability of latent constructs component scores and the results are more conservative than composite reliability. It is recommended that the AVE value must be greater than the value of 0.50.

Composite reliability indicator block that measures a construct can be evaluated with two kinds of measures, in which one of them is the internal consistency developed by Wert et al. (1979) in Ghazali (2006). Compared to Cronbach's alpha, this measure does not assume tau equivalence between measurements with the assumption that all indicators are weighted the same. It means that Cronbach's alpha tends to lower bound estimate reliability, while PCA is a closer approximation with the assumption that the estimate parameter is accurate. PCA as a measure of internal consistency can only be used for indicator reflective constructs.

Assessing the Inner or Structural Model

Testing of the inner model or structural model is carried out to see the relationship between the constructs, significance value, and R-square of the research model. The structural model is evaluated using R-square for endogenous constructs and T-test, as well as the significance of the coefficients of structural path parameters.

The assessment of the model with PLS started by looking at the R-square for each endogenous construct. Changes in the R-square value can be used to assess the effect of certain exogenous constructs on endogenous constructs if they have a substantive effect.

Analysis Method

Partial Least Square (PLS)

Partial Least Square (PLS) was first developed by Herman Wold (1975). PLS is a powerful analytical model because it can be used on any type of data scale (nominal, ordinal, interval, and ratio) as well as more flexible assumption requirements. PLS can also be said as a PLS approach method for structural equation modeling. In the PLS community, the term "Path Modeling" is preferred over Structural Equation Modeling. Nonetheless, both terms can be found in the PLS literature.

PLS does not assume that the data must follow a certain distribution, for instance, normally distributed. The PLS approach is a distribution free, and the sample size is flexible. PLS can also be used when the theoretical basis of the model is tentative or the measurement of each latent construct is still new (Yamin and Kurniawan, 2011). Variant-based PLS is designed for predictive purposes. This is the initial concept that must be the basis for researchers. The major focus of PLS is to maximize the variance of endogenous constructs that can be explained by exogenous constructs or identify constructs that are able to maximize the predictive power of the model.

4. RESULT AND DISCUSSION

Questionnaire Distribution Results

Data collection in this research is carried out by surveying through the distribution of questionnaires. The respondents of this research are employees of PT. Federal International Finance Ambon Branch located on Dr. Soetomo Street, Honipopu Village, Sirimau District. 37 questionnaires are distributed and 37 are successfully collected, which makes all 37 questionnaires could be used for further analysis. The results of the questionnaire distribution are shown in Table 1

Table 1. Questionnaire Distribution Results

Information	Total
Distributed Questionnaires	37
Returned Questionnaires	37
Processable Questionnaires	37

Source: Processed primary data, 2020.

Descriptive Statistics

Descriptive statistical processing includes the mean, standard deviation. The results of this processing can be seen in table 2 which explains that most of the respondents' answers regarding the transformational leadership style with an average value of 4,248 means that the transformational leadership style perceived by employees is in the very high value. Then the respondents' answers regarding work motivation with an average value of 4.208 means that work motivation perceived by the company is in the very high value.

Furthermore, employees' performance with a value of 4.216 means that employees' performance perceived by the company is in the high value. A summary of the results of descriptive statistics can be seen in Table 2.

Table 2. Descriptive Statistical Results

	N	Mean	Std. Deviation
Transformational Leadership Style	37	4.248	0.618
Work motivation	37	4.208	0.648
Employees' performance	37	4.216	0.675

Source: Processed primary data, 2020.

Data Quality Test Results

Data quality test includes reliability and validity test. The reliability test is carried out by looking at the composite reliability value generated by the PLS calculation for each construct. The value of a construct is said to be reliable if it gives a composite reliability value > 0.70 (Werts et al. 1974 in Imam, 2006). The results of the reliability test are presented in Table 3.

Table 3. Reliability Test Results

	Composite Reliability	D.G. rho (PCA)	Information
Transformational Leadership Style	37	4.248	0.618
Work motivation	37	4.208	0.648

Employee performance	37		
		4.216	0.675

Source: Processed primary data, 2020.

The transformational leadership style construct has a Composite Reliability value of 0.879. The value is above 0.70 as for the cutoff value, which makes all questions about transformational leadership style are reliable. While the work motivation construct has a Composite Reliability value of 0.904 (above the cutoff value), which makes all questions about work motivation are reliable. Furthermore, the employees' performance construct has a Composite Reliability value of 0.842 (above the cutoff value), which makes all questions about employees' performance are reliable.

Furthermore, the validity test is carried out using the evaluation of the measurement model (outer), in which by using convergent validity. Convergent validity of the measurement model with reflexive indicators can be seen from the correlation between each indicator score and its construct score (Ghozali, 2006). Individual reflexive measure is said to be high if it has a correlation of more than 0.70 with the measured construct, but according to Chin (1998) for research in the early stages of developing a measurement scale a value of 0.5 to 0.6 is considered sufficient. The results of the validity test using the convergent validity value calculated by PLS can be seen in Table 4.

Table 4. Convergent Validity Results

	Transformational Leadership Style	Work Motivation	Employees Performance
GPT1	0.375	-0.079	0.001
GPT2	0.586	0.232	0.407
GPT3	0.688	0.356	0.467
GPT4	0.798	0.327	0.465
GPT5	0.860	0.377	0.537
GPT6	0.784	0.397	0.569
GPT7	0.614	0.231	0.479
MK1	0.244	0.771	0.664
MK2	0.458	0.852	0.712
MK3	0.136	0.574	0.228
MK4	0.326	0.691	0.462
MK5	0.238	0.763	0.430
MK6	0.258	0.761	0.466
MK7	0.458	0.750	0.616
KK1	0.640	0.574	0.834
KK2	0.434	0.558	0.806
KK3	0.218	0.254	0.509
KK4	0.236	0.295	0.607
KK5	0.784	0.397	0.569
KK6	0.614	0.231	0.479
KK7	0.244	0.771	0.664

Source: Processed primary data, 2020.

There is 1 indicator used to measure the construct of transformational leadership style, that is GPT1 which has a correlation value of 0.375 less than the recommended number of 0.500 indicating that the GPT1 question is invalid while other statements about transformational leadership style can be said to be valid. The work motivation construct is in the correlation range of 0.576 to 0.852, this indicates that each indicator of work motivation questions is valid. There is 1 indicator used to measure the construct of employees' performance, that is KK6 which has a correlation value of 0.479 less than the recommended number of 0.500 indicating that the KK6 question is invalid while other statements about employees' performance can be said to be valid.

The next examination of the evaluation of discriminant validity is to compare the AVE value of each construct with the square of the correlation between the constructs.

Table 5. Discriminant Validity Results

	Transformational Leadership Style	Work Motivation	Employees Performance	Mean Communalities (AVE)
Transformational Leadership Style	1	0.185	0.411	0.548
Work Motivation	0.185	1	0.400	0.567
Employees Performance	0.411	0.400	1	0.557
Mean Communalities (AVE)	0.548	0.567	0.457	0

Source: Processed primary data, 2020.

Based on the results of the table, the AVE value for the transformational leadership style construct is 0.548, while the square of the correlation between the transformational leadership style construct and other constructs (first row in the table) is smaller than the AVE for the transformational leadership style construct. Further, the AVE value for the work motivation construct is 0.567, while the square of the correlation between the work motivation construct and the other constructs (second row in the table) is smaller than the AVE for the work motivation construct. And the AVE value for the employees' performance construct is 0.557, while the square of the correlation between the employees' performance construct and other constructs (third row in the table) is smaller than the AVE for the employees' performance construct. These results indicate that the constructs in this research have good discriminant validity.

Testing the Inner Model or Structural Model

Testing of the inner model or structural model is carried out to see the relationship between the constructs, significance value, and R-square of the research model. The structural model is evaluated using R-square for the dependent construct. The assessment of the model with PLS is started by looking at the R-square for each dependent latent construct. Changes in the value of R-square can be used to assess the effect of a particular independent latent construct on the dependent latent construct to see whether it has a substantive effect. The following table is the result of R-square estimation using XLSTAT PLS PM 2019.

Table 6. R-Square Value (R2) (Work Motivation)

R²	F	Pr > F	Critical ratio (CR)
0.185	7.942	0.008	1.789

Source: XLSTAT PLS PM 2019 Output.

The table above shows that the R2 value of the work motivation construct is 0.185. The higher the R2 value, the greater the exogenous construct can explain the endogenous construct, resulting in the better the structural equation. The R2 value of the work motivation construct is 0.185, which means that 18.5% of the variance of work motivation is explained by the transformational leadership style construct while the remaining 81.5% is explained by other constructs.

Table 7. R-Square Value (R2) (Employees' performance)

R²	F	Pr > F	Critical ratio (CR)
0.707	41.096	0.000	14.992

Source: XLSTAT PLS PM 2019 Output.

The table above shows the R2 value of the employees' performance construct of 0.707. The higher the R2 value, the greater the exogenous construct can explain the endogenous construct, resulting in the better the structural equation. The R2 value of the employees' performance construct is 0.707, which means that 70.7% of the variance of the employees' performance construct is explained by transformational leadership style and work motivation and the remaining 29.3% is explained by other constructs.

Hypothesis 1

The first hypothesis (H1) states that transformational leadership style has a positive effect on employees' performance. Table 8 above shows that transformational leadership style has the effect on employees' performance. The effect of the transformational leadership style construct on employees' performance is positive (0.504) and significant at 0.000 ($4.904 > 1.658$).

Table 8. Inner Weights Results (Employees' performance)

Latent variable	Value	Standard error	T	Pr > t	Critical ratio (CR)
Transformational Leadership Style	0.504	0.103	4.904	0.000	6.464

Source: XLSTAT PLS PM 2019 Output.

Hypothesis 2

The second hypothesis (H2) states that transformational leadership style has a positive effect on work motivation. Table 9 above shows that transformational leadership has the effect on work motivation. The effect of the construct of transformational leadership on work motivation is positive (0.430) and significant at 0.008 ($2.818 > 1.658$).

Table 9. Inner Weights Results (Work Motivation)

Latent variable	Value	Standard error	t	Pr > t	Critical ratio (CR)
Transformational Leadership Style	0.430	0.153	2.818	0.008	3.622

Source: XLSTAT PLS PM 2019 Output.

Hypothesis 3

The third hypothesis (H3) states that work motivation has a positive effect on employees' performance. Table 10 below shows that work motivation has the effect on employees' performance. The effect of work motivation on employees' performance is positive (-0.395) and significant at 0.000 ($4.447 < 1.658$).

Table 10. Inner Weights Results (Employees' performance)

Latent variable	Value	Standard error	t	Pr > t	Critical ratio (CR)
Work Motivation	0.491	0.103	4.775	0.000	6.288

Source: XLSTAT PLS PM 2019 Output.

Hypothesis 4

The fourth hypothesis (H4) states that transformational leadership style has a positive effect on employees' performance which is mediated by work motivation. Tables 4.12, 4.13, and 4.14 above show that the direct effect of transformational leadership style on employees' performance is significant, then the indirect effect of transformational leadership style on work motivation and the indirect effect of work motivation on employees' performance is also significant, so it can be concluded that there is partial mediation. This means that the work motivation variable can be used as an exogenous variable or as a mediating variable.

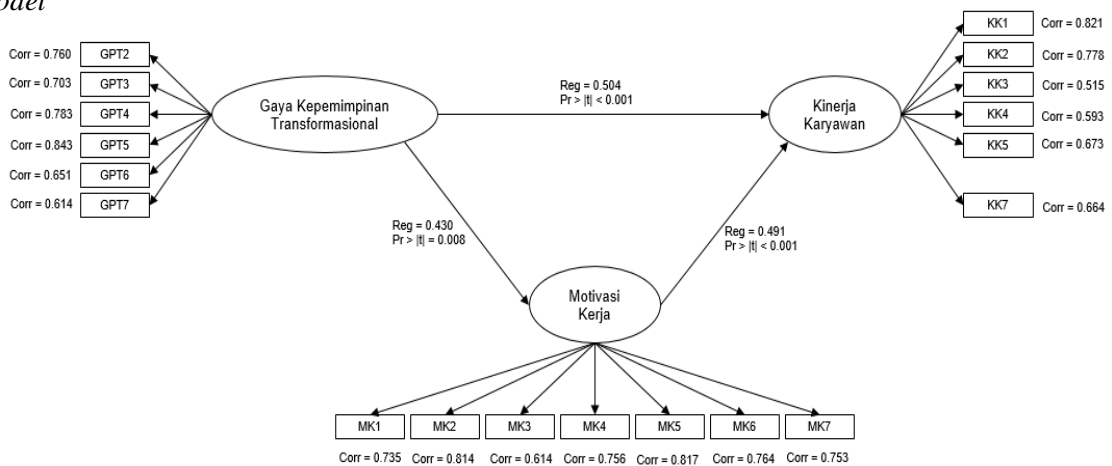
**Table 11. Mediation Test Results
(Work Motivation)**

Latent variable	Value	Standar d error	t	Pr > t	Critical ratio (CR)
Transformational Leadership Style	0.504	0.103	4.904	0.000	6.464

(Employees' performance)

Latent variable	Value	Standar d error	t	Pr > t	Critical ratio (CR)
Transformational Leadership Style	0.430	0.153	2.818	0.008	3.622
Work Motivation	0.491	0.103	4.775	0.000	6.288

Full Model



5. CONCLUSION

This research contains a model that examines the effect of integrated quality management on internal business processes and competitive advantage. The results of the SEM (Structural Equation Modeling) test using Partial Least Square concludes that:

- 1). Transformational leadership style has a positive effect on employees' performance.
- 2). Transformational leadership style has a positive effect on work motivation.
- 3). Work motivation has a positive effect on employees' performance.
- 4). Transformational leadership style has a positive effect on employees' performance which is mediated by employees work motivation.

Limitations

This research has been done well, but still has some unavoidable limitations. This requires caution in generalizing the results of this research. Some of the limitations that may affect the results include:

- a. The number of samples used in this research do not meet adequate criteria, thus these results cannot be generalized.
- b. This research uses an instrument based on the perception of the respondents' answer score, so it will be problematic if the respondents' perception is different from the actual condition.

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