

## The Influence of Transformational Leadership on Employee Performance with Organizational Commitment as an Intervening Variable (A Case Research at PT. XYZ)

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### Abstract

This research has a background related to the challenges faced by PT. XYZ in maintaining employee performance stability, particularly reflected in the mismatch between production realization and targets, as well as the increase in defective products from 2021 to 2024. This research aims to analyze the influence of transformational leadership on employee performance with organizational commitment as an intervening variable. This research was conducted on PT. XYZ employees who work in a shift system, with a sample of 136 respondents. The research approach used is quantitative, employing survey methods and causality analysis. The data analysis technique was carried out using variant-based Structural Equation Modeling (SEM) with the help of SmartPLS software version 4.1.1.2. The results show that transformational leadership has a positive and significant effect on employee performance, meaning that transformational leaders are able to increase work effectiveness and productivity. In addition, transformational leadership also has a positive and significant effect on organizational commitment, reflecting that leaders who provide motivation and inspiration can increase employee attachment to the company. Furthermore, organizational commitment has a positive and significant effect on employee performance, indicating that employee loyalty and belonging drive improved work performance. These findings confirm that the influence of leadership on performance occurs not only directly but also indirectly through increased organizational commitment. Therefore, companies need to strengthen the role of transformational leadership as a strategy to build commitment and drive optimal employee performance.

**Keywords:** Employee Performance, Organizational Commitment, Transformational Leadership

### Introduction

In an era of increasingly fierce industrial competition, employee performance is one of the important indicators that reflects the success of human resource management. Employee performance is not only the achievement of individual targets but also contributes to the overall performance of the organization. According to (Kurniawan et al., 2021) high performance reflects the organization's ability to manage employee potential to the maximum. PT. XYZ, as one of the national manufacturing companies, faces challenges in maintaining the stability of employee performance, characterized by

mismatches in production realization and targets as well as the increase in defective products from 2021-2024.

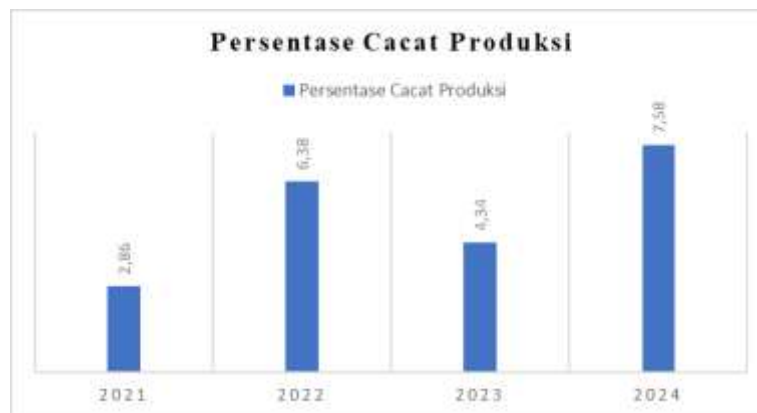


Figure 1. Percentage of Production Defects at PT. XYZ (2021-2024)

The graph shows the trend of production defect percentages from 2021 to 2024, indicating an increasing pattern that reflects declining production quality performance (Khedlekar, Kumar, Sharma, & Dwivedi, 2024; Lodhi, Gill, & Hussain, 2024; Nabavi, Dalir, & Farshidianfar, 2024; Zhao et al., 2021). Based on this graph, the percentage of production defects has increased from 2.86% in 2021 to 7.58% in 2024. This increase suggests that the role of leaders in fostering innovation, encouraging employee involvement in problem-solving, and creating a work environment that supports quality improvement has not been optimally performed. This condition strengthens the suspicion that one of the main causes of declining production performance is an ineffective leadership style (Kamara, Bangura, Bangura, & Koroma, 2024; Levine, 2018). In this context, transformational leadership is considered to have a positive influence on employee behavior and performance because it emphasizes aspects of inspiration, motivation, individual attention, and intellectual stimulation (Bass, 1990). Robbins in (Butsi, 2019) also emphasized that transformational leaders have the ability to encourage changes in attitudes and work cultures through example and by giving meaning in every action taken, thus creating a more productive and quality-oriented work environment. Thus, the role of a leader is not only a determining factor in decision-making but also a major driver in shaping superior employee performance (Permatasari & Hermani, 2020).

Furthermore, organizational commitment plays an important role as a bridge connecting the influence of leadership to employee performance achievement (Hadian Nasab & Afshari, 2019; Mahfouz, Awang, Muda, & Bahkia, 2020; Park, Han, Kim, & Kim, 2022; Tanjung, 2025). Organizational commitment not only reflects loyalty but also includes a deep emotional attachment as well as an intrinsic drive from employees to remain part of the organization and actively contribute their best to the company's progress (Allen & Meyer in Ausat et al., 2022). This commitment is formed through the process of internalizing organizational values consistently instilled by leaders, as well as through efforts to give trust and recognition to the role of everyone in the team. When a

leader is able to communicate the vision and mission of the organization clearly, create a sense of security at work, and provide room for employees to develop, a strong psychological connection forms between the employee and the organization. This relationship creates a sense of shared belonging and responsibility, which ultimately encourages increased work motivation, discipline, and a desire to achieve shared goals sustainably. Thus, organizational commitment serves as a foundation that strengthens the positive impact of leadership on individual and collective work outcomes.

Based on the background and literature review above, this research aims to: (1) analyze the influence of transformational leadership on employee performance at PT. XYZ; (2) examine the influence of transformational leadership on organizational commitment; and (3) investigate the role of organizational commitment as an intervening variable in the relationship between transformational leadership and employee performance. The benefits of this research include providing practical insights for management in developing effective leadership strategies, contributing to the literature on transformational leadership in the manufacturing sector context, and offering recommendations for improving employee performance through strengthening organizational commitment.

## **Research Method**

This research used a quantitative approach to measure the extent of the influence of independent variables on dependent variables. The methods applied included surveys and causal analysis to explain cause-and-effect relationships between the variables and identify those influencing or affected within the system. Because the data collected were numerical and statistically analyzed, this approach was categorized as quantitative research. The main focus was to test previously formulated hypotheses (Ferdinand, 2014).

The population comprised all employees of PT XYZ working in a shift system, aged 22 to 45 years, totaling 265 people. The sample size was determined using Structural Equation Modeling (SEM) analysis, which, according to Ferdinand (2014), requires 5 to 10 times the number of parameters or indicators in the model. With 17 indicators, the minimum sample size was 85 respondents, and the maximum was 170 respondents. Based on this, the researcher selected 136 respondents, deemed sufficient for further analysis.

Data analysis employed variant-based Structural Equation Modeling (SEM) using SmartPLS software version 4.1.1.2. This Partial Least Squares (PLS) method allowed simultaneous analysis of the measurement model (outer model) and the structural model (inner model) and was effective in comprehensively testing latent relationships between variables (Hair et al., 2017).

## **Results and Discussion**

### **Outer Model Test**

This analysis is carried out to ensure that the measurement instrument used meets the eligibility requirements, namely valid and reliable. There are three main criteria used to assess the quality of data in the outer model, namely: Convergent Validity,

Discriminant Validity, and evaluation of Reliability and Average Variance Extracted (AVE).

**1. Outer Loading**

The evaluation of the outer model was carried out with reference to the loading factor value, where the minimum limit considered adequate was 0.70. Indicators that have a loading factor value below 0.40 are recommended to be eliminated from the measurement model because they are considered not to make a significant contribution to the construct they represent (Hair et al., 2021). Based on the results of the model visualization, all indicators on the variables of transformational leadership, organizational commitment and employee performance show the value of the loading factor that meets the criteria. Thus, all of these indicators are considered valid in representing their respective constructs and can be used for further analysis.

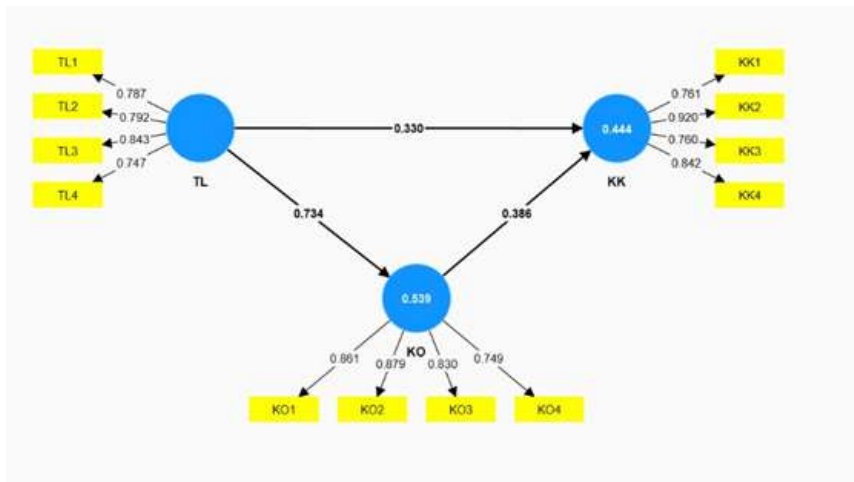


Figure 2. Outer Model Visualization

The figure displays the structural equation model showing the relationships between transformational leadership, organizational commitment, and employee performance variables with their respective indicators and loading factor values.

**2. Convergent Validity**

Convergent validity testing can also be seen through the Average Variance Extracted (AVE) value, where each mandatory variable has an AVE value of more than 0.5 (Hair et al, 2021).

Table 1. the results of AVE processing

Variabel	AVE	Critical Values	Information
Employee Performance	0,678	>0.5	Valid
Organizational Commitment	0,691		Valid
Transformational Leadership	0,629		Valid

Based on the results of AVE processing in the table above, it shows that all variables produce an AVE value of > 0.5, which means that variables/dimensions whose results are > 0.5 can be tested to the next stage, namely the discriminant validity test.

**3. Discriminant Validity**

After conducting a convergent validity test and the test results have been qualified, the outer model test is also seen from the discriminant validity value. The intended construct value must be greater than the loading value of other constructs.

Table 2. convergent validity test

Variables/ Indicators	Transformational Leadership	Organizational Commitment	Employee Performance
TL1	0,787	0,510	0,566
TL2	0,792	0,549	0,425
TL3	0,843	0,677	0,488
TL4	0,747	0,583	0,462
KO1	0,646	0,861	0,627
KO2	0,655	0,879	0,530
KO3	0,611	0,830	0,470
KO4	0,518	0,749	0,441
KK1	0,463	0,486	0,761
KK2	0,572	0,580	0,920
KK3	0,510	0,476	0,760
KK4	0,466	0,519	0,842

#### 4. Reliability Test

After conducting a validity test (convergent validity and discriminant validity), the next stage is to conduct a reliability test to be able to prove the accuracy, consistency, and accuracy of the instrument in measuring variables. To measure the reliability of variables in PLS, it can be done by looking at Cronbach's alpha and composite reliability values. Cronbach's alpha value must be > 0.6 and composite reliability must have a value of > 0.70. The values of construct reliability and validity are as follows:

Table 3. The values of construct reliability and validity

Variable	Cronbach's alpha	Composite reliability	Critical Values	Information
<i>Transformational Leadership</i>	0.803	0.871	Cronbach's Alpha dan	Reliable
<b>Organizational Commitment</b>	0.850	0.899	Composite Reliability > 0,7	Reliable
<b>Employee Performance</b>	0.839	0.893		Reliable

Based on the output as shown in the table above, it can be seen that all Cronbach's alpha and composite reliability values > 0.70. Therefore, it can be concluded that all instruments in the research variables are declared reliable and have met the reliability test. So, the research model is feasible and can be continued to the next stage of analysis.

#### Inner Model Test

##### 1. Coefficient Determinant (R-Square)

The internal model analysis stage is carried out to ensure that the structural model built is robust and accurate. The feasibility of the inner model test can be seen from the value of its Determination Coefficient (R<sup>2</sup> / R square). The R-square value for a

dependent construct should  $> 0.10$  (the higher the better). This test aims to be able to see the correlation between the constructs measured in the research. The inner model is measured by looking at the results of the model's R Square value. The R Square value shows how much influence the variables in the model have. In the R-square measurement, there are 3 (three) categories, namely strong (0.75), medium (0.50) and weak (0.25) (Hair, et.al 2011). The output results of R Square are as follows:

Table 4. Coefficient Determinant

Variable	R-square	R-square adjusted
Employee Performance	0,444	0,436
Organizational Commitment	0,539	0,535

## 2. Predictive Relevance (Q2)

A  $Q^2$  value greater than 0 indicates that the model has predictive relevance, while a  $Q^2$  value of less than 0 indicates that the model has weak predictive ability. According to Hair et al. (2021), the interpretation of  $Q^2$  values is divided into three levels, namely: weak (0.02), medium (0.15), and strong (0.35).

Table 5. Coefficient Determinant

Variable	Q2 Predict
Organizational Commitment	0,524
Employee Performance	0,357

Based on the table above, the Q-square value for the organizational commitment variable is 0.524 and for the employee performance variable is 0.357. Since both values are greater than 0, it can be concluded that the model has predictive relevance.

## 3. Hypothesis Testing Results

The hypothesis test in this research is based on two main indicators, namely the probability value (p-value) and the t-statistical value, which is then compared with the t-table value. At a significance level of 5% ( $\alpha = 0.05$ ), the t-table value used as a reference is 1.96. Thus, a hypothesis is declared acceptable if the t-statistical value exceeds 1.96 and the p-value is below 0.05. On the other hand, the hypothesis is rejected if both conditions are not met. The hypothesis testing process was carried out using the bootstrap method run through SmartPLS software version 4.1.0.9. This bootstrap technique is applied as an effort to overcome potential problems due to the non-fulfillment of normality assumptions in data distribution.

Table 6. Coefficient Determinant

Hypothesis	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ((O/STDEV))	P values
H1 TL -> KK	0,330	0,327	0,111	2,979	0,003
H2 TL -> KO	0,734	0,733	0,063	11,723	0,000
H3 KO-> KK	0,386	0,389	0,110	3,499	0,000

The testing of the three hypotheses in this research was carried out by paying attention to the t-statistical and p-value values, which were obtained through the bootstrapping process using SmartPLS software version 4.1.0.9. The test results can be described as follows:

1. Hypothesis 1 (H1): Transformational Leadership (TL) → Employee Performance (KK)

The original sample value (O) was 0.330, with a t-statistic of 2.979 and a p-value of 0.003. Since the t-value is greater than 1.96 and the p-value is less than 0.05, this hypothesis is accepted. These results show that transformational leadership has a significant effect on improving employee performance.

2. Hypothesis 2 (H2): Transformational Leadership (TL) → Organizational Commitment (KO)

The original sample value was 0.734, t-statistic was 11.723, and p-value was 0.000. A very high t-value indicates a very significant relationship. This means that transformational leadership has a strong influence in shaping and increasing employee commitment to the organization.

3. Hypothesis 3 (H3): Organizational Commitment (KO) → Employee Performance (KK)

The original sample value was 0.386 with a t-statistic of 3.499 and a p-value of 0.000. These results indicate that organizational commitment plays an important role in improving employee performance, and that the relationship is statistically significant.

Overall, the three hypotheses proposed in this research proved to be significant and supported the conceptual model developed. This reinforces the finding that transformational leadership not only has a direct impact on performance but also has an indirect impact through increased organizational commitment.

### **The Influence of Transformational Leadership on Employee Performance**

This research shows that transformational leadership has a direct and significant effect on employee performance. Leadership that prioritizes vision, motivation, inspiration, and attention to individual needs has been proven to be able to encourage increased employee work productivity. Transformational leaders are not only guides, but also role models in encouraging employees to work more optimally. In the context of PT XYZ, this influence is reflected in the increasing efforts of employees to complete tasks more efficiently and in a quality oriented manner. However, some aspects of leadership implementation still need to be strengthened, especially in providing intellectual stimulation and building two-way communication on an ongoing basis.

These findings are in line with the research of Munajah et al. (2020) and Hydayati & Suhariyadi (2020) which affirms that transformational leaders can drive high performance achievement through empowerment and emotional support. In line with that, Basalamah (2023) emphasizes the importance of the role of leaders in shaping a more

adaptive and innovative employee mindset. Thus, to improve performance on an ongoing basis, companies need to develop leadership qualities that not only emphasize targets but also build employee trust and emotional engagement.

### **The Influence of Transformational Leadership on Organizational Commitment**

The results of this research also confirm that transformational leadership has a strong and significant influence on organizational commitment. A leadership style that emphasizes inspiration, motivation, and attention to employee development has been proven to be able to build high emotional attachment and loyalty. In practice, transformational leaders are able to convey the company's vision and mission clearly, create a sense of security, and foster a sense of pride in being part of the organization. This encourages the emergence of an intrinsic commitment from employees to remain actively involved in the long term.

This research is in line with the findings of Siswatiningsih et al. (2018) and Ausat et al. (2022) who show that leadership quality plays an important role in forming work commitments. Leaders who provide support and recognition of individual roles are able to build a greater sense of belonging and responsibility. Therefore, companies need to place leaders as facilitators of organizational culture that internalize work values, increase team trust, and form alignment of goals between individuals and organizations.

### **The Effect of Organizational Commitment on Employee Performance**

This research also confirms that organizational commitment has a positive and significant effect on employee performance. Employees who have a high level of attachment to the organization tend to show greater dedication, work discipline, and enthusiasm to complete tasks to the maximum. This commitment reflects not only loyalty, but also an intrinsic drive to achieve a common goal. In the operational context of PT XYZ, the increase in commitment is reflected in the active participation of employees in efforts to improve quality and achieve production targets.

These results are strengthened by research by Emita et al. (2021) and Hubais et al. (2023) which revealed that employee commitment to the organization is the main key to creating superior work performance. When employees feel valued and have an important role in the company, they will show more consistent and quality performance. Therefore, building organizational commitment is not only important for workforce retention, but also as a long-term strategy in improving the company's competitiveness.

### **Conclusion**

This research successfully achieved its objectives by comprehensively examining the influence of transformational leadership on employee performance at PT. XYZ, both directly and through organizational commitment as an intervening variable. The findings demonstrate that transformational leadership significantly enhances employee performance through inspirational motivation, individual consideration, and intellectual stimulation, while simultaneously strengthening organizational commitment through

clear vision communication and emotional support. Furthermore, organizational commitment serves as a crucial mediator that transforms leadership influence into sustained performance improvements, reflecting employee loyalty and intrinsic motivation to contribute to organizational success. These results provide practical implications for PT. XYZ management to invest in transformational leadership development programs, strengthen value-based organizational culture, and continuously monitor leader-employee relationships to create synergistic work environments oriented toward long-term organizational vision. Future research should explore additional mediating variables such as job satisfaction and work engagement, examine the moderating effects of organizational culture and industry characteristics, and conduct longitudinal studies to understand the dynamic relationships between these variables over time, thereby contributing to a more comprehensive understanding of leadership effectiveness in manufacturing contexts.

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