



The Role of Transformational Leadership and Organizational Citizenship Behavior on SMEs Employee Performance

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Abstract

The purpose of this study was to analyze the role of organizational citizenship behavior on the relationship of transformational leadership to the performance of SMEs. The research sample is SMEs employees with a total sample of 310 respondents in 30 SMEs. The sampling technique used is simple random sampling technique. The research instrument uses an online questionnaire and the analytical method uses Partial Least Square (PLS) with SmartPLS 3.0 software. The results show that transformational leadership has a positive and significant effect on Organizational Citizenship Behavior, transformational leadership has a positive and significant effect on employee performance and Organizational Citizenship Behavior has a positive and significant effect on employee performance, Organizational Citizenship Behavior mediates partially and positively and significantly the relationship between transformational leadership and employee performance. The implications of the results of this study indicate that transformational leadership is found to be the main factor in improving the performance of SMEs. Suggestions for research are the expansion of research orientation to a wider scope of industry and organization to obtain more comprehensive results.

Keywords: Transformational Leadership, Organizational Citizenship Behavior, SMEs Performance

Introduction

The COVID-19 pandemic has had an impact on various sectors. At the global economic level, the COVID-19 pandemic has had a very significant impact on the domestic economy of nation-states and the existence of MSMEs. The Organization for Economic Co-operation and Development (OECD) report states that this pandemic has implications for the threat of a major economic crisis marked by the cessation of production activities in many countries, falling levels of public consumption, and loss of confidence. The Covid 19 pandemic at the end of 2019 became an international problem, including in Indonesia. The COVID-19 pandemic has had economic, social and political implications in almost all countries, including Indonesia. The economic impact of the COVID-19 pandemic has also been felt by the MSME sector. The impact caused by this pandemic includes 5 aspects, namely 1) Sales aspects. The average decline in MSME sales is 61%, 2) Aspects of operating profit. The average decrease in operating profit is 61%, 3) Capital aspect. The number of MSMEs experiencing capital problems increased to 71.4%, 4) Aspects of the number of employees. In this aspect, MSMEs reduced the number of employees



by 22%, and 5) Aspects of the ability to pay bank installments. Almost all MSME actors (especially micro-enterprises) experience problems in carrying out their obligations to banks. This study also found that MSME actors had implemented online sales strategies, although not all of them. The number of MSMEs carrying out online strategies increased during the Covid 19 pandemic. The survival ability of MSMEs that sell online is stronger than MSMEs that only sell offline.

Preliminary research conducted and from interviews with several SMEs managers obtained information that SMEs employee performance is still low in terms of achieving the target (quantity) that has been set, lack of a sense of solidarity or a sense of mutual help between employees so that mistakes often occur (cooperation with colleagues). thus causing work time to be inefficient. The low performance of employees can be influenced by several factors, one of which is the leadership style applied by their superiors. Asbari (2021) shows that transformational leadership style has a positive and significant effect on employee performance. This shows that the better the application of the transformational leadership style to employees, the higher their performance will be. The results of this study are supported by Asbari (2020) which show that there is a positive and significant relationship between transformational leadership and employee performance. The decline in employee performance can also be affected by employee OCB. OCB is optional behavior that is not part of an employee's formal work obligations, but supports the effective functioning of the organization. Adinugroho (2020) shows that OCB has a positive and significant effect on employee performance. Employees who have a high OCB towards their place of work and other employees will show increased performance and a more sociable, friendly attitude, and are more accepting of the work they get without complaining and arguing. The results of this study are also supported by Asbari (2021)

OCB of employees can also be influenced by the leadership applied by managers. Shah et al., (2016) show that transformational leadership has a positive and significant effect on OCB. Transformational leaders can contribute to employee performance and OCB which will ultimately increase organizational output because transformational leadership style is considered an important factor that affects OCB. The results of this study are supported by . The results of previous studies show that OCB can also act as a mediating variable. Chamariyah et al., (2015) show that OCB has an effect as a mediating variable between transformational leadership and employee performance. Employee performance increases to a maximum because it is influenced by transformational leadership with OCB as a mediation. Based on the phenomena that occur in the field, the researchers want to further examine the effect of transformational leadership on employee performance with OCB as a mediating variable to obtain more accurate results. Researchers also want to test whether the OCB variable as an absolute or partial mediating variable is the relationship between transformational leadership and the performance of SMEs in Indonesia.

The Effect of Transformational Leadership on Organizational Citizenship Behavior

The transformational leadership style reflects the figure of a leader who inspires and motivates his subordinates and pays attention to the self-development of each employee. The leader's actions can indirectly foster employee OCB in dealing with problems in the work environment. The influence of the leader is very large in growing the extra role of employees in doing their work. Sudargini (2020) show that transformational leadership style has a positive and significant effect on OCB. The higher the



application of the transformational leadership style by providing motivation, encouraging employees to be more innovative and creative, and paying attention to employee development and work performance, the higher the OCB will be. Sopa (2020) also show that there is a positive and significant relationship between transformational leadership and employee OCB. Then the hypothesis can be formulated as follows:

H1: Transformational leadership has a positive effect on organizational citizenship behavior.

The Effect of Transformational Leadership on Employee Performance

Leaders have a great responsibility to create a condition that stimulates members to achieve the goals set together. Leadership style is a reflection of one's ability to influence individuals or groups to act in the work environment. Pradana et al. (2010) showed that transformational leadership has a positive and significant effect on employee performance. Transformational leadership style affects employee performance because indicators such as charisma, inspirational, individual attention and intellectual stimulus make employees more comfortable and motivated without feeling pressure, so that employees can achieve the performance desired by the leader. This study is in accordance with the results of Yuliantoro (2020) which show that there is a positive and significant influence between transformational leadership and employee performance. Then the hypothesis can be formulated as follows:

H2: Transformational leadership has a positive effect on employee performance

The Effect of Organizational Citizenship Behavior on Performance

Employees Robbins and Judge (2008) state that, successful organizations need employees who perform tasks beyond their usual duties, which will deliver performance beyond expectations. Asbari (2020) shows that OCB is able to improve employee performance. This indicates that employees have formed OCB behavior in themselves, it can be seen from the attitudes of employees who behave in place of others at work, behave beyond the minimum requirements, are willing to tolerate, are involved in organizational functions and can store information. Helping behavior shown by employees will contribute to improving employee performance. Similar research was conducted by Darto et al., (2015) and Karavardar (2014), showing that OCB has a positive and significant effect on employee performance. Then the hypothesis can be formulated as follows:

H3: Organizational citizenship behavior has a positive effect on employee performance.

The Effect of Transformational Leadership on Employee Performance by Mediation of Organizational Citizenship Behavior

Managers with high transformational leadership can develop employee OCB which can then contribute to employee performance. Shah et al., (2016) show that transformational leadership has a positive and significant effect on OCB. Leaders with a transformational style can influence employees' OCB more. Transformational leaders can influence employee OCB and employee performance which ultimately increases the company's output. Transformational leadership style is considered as an important factor influencing OCB which will have an impact on employee performance. Chamariyah et al., (2015) researched transformational leadership and employee performance and found that transformational leadership also had a positive effect on OCB. Therefore, OCB mediates the relationship between



transformational leadership and employee performance. This may mean that employee performance increases to a maximum because it is influenced by transformational leadership with OCB as a mediating variable. The results of this study are supported by the research of Jung et al., (2007), Vigoda and Gadot (2007), Warsito (2007) which show that there is an influence of transformational leadership on employee performance mediated by OCB.

H4: Organizational citizenship behavior mediates the effect of transformational leadership on employee performance.

Method

This study uses endogenous, mediating and exogenous variables. The endogenous variable of this study is transformational leadership, the mediating variable of this study is organizational citizenship behavior, and the endogenous variable of this study is employee performance. Method of Determination of Samples Determination of the size of the research sample using the Slovin formula. The sampling technique used was simple randomization with a sample of 310 SMEs employees in Indonesia. The lottery method was used in the employee sampling process for each SMEs in Indonesia. Data Collection Methods Data collection methods used questionnaires and interviews. Questionnaires were distributed to 30 SMEs in Indonesia and filled out by employees of each SMEs related to research variables.

Result and Discussion

Based on the results of the analysis, it was found that transformational leadership has a direct effect on organizational citizenship behavior with a correlation coefficient of 0.876 and a T-statistical value of 15.965 (T-statistical value > T-critical 1.96), transformational leadership has a direct effect on employee performance with a correlation coefficient of 0.654 and a T-statistical value of 3.120 (T-statistical value > T-critical 1.96), and organizational citizenship behavior has a direct effect on employee performance with a correlation coefficient of 0.323 and a T-statistical value of 5.987 (T-statistical value > T-critical 1.96).

Based on the results of the analysis, it is found that the mediating role of organizational citizenship behavior can be tested on the influence of transformational leadership on employee performance by examining the coefficients of the direct influence of the independent variable on the dependent variable in the model by involving the mediating variable. Based on the results of the analysis, it was found that the effect of the independent variable on the mediating variable (b) was significant, the effect of the mediating variable on the dependent variable (c) was significant, the direct effect of the independent variable on the dependent variable in the model involving the mediating variable (a) was significant, it is said to be partial mediation. Thus, organizational citizenship behavior partially mediates the effect of transformational leadership on employee performance. The effect of transformational leadership on organizational citizenship behavior is positive and significant. The effect of organizational citizenship behavior on employee performance is positive and significant and the direct influence of transformational leadership on employee performance is positive and significant, so it can be concluded that organizational citizenship behavior acts as a partial mediation between the effect of transformational leadership on employee performance. This means that mediating can be done in 2 ways, namely through transformational leadership and through OCB. The Effect of Transformational Leadership on Organizational Citizenship Behavior The results of hypothesis testing prove that transformational



leadership has a positive and significant effect on organizational citizenship behavior. This shows that the better the intensity of application of transformational leadership of SMEs managers in Indonesia, the higher the OCB level of employees in SMEs will be. On the other hand, the worse the intensity of the application of transformational leadership of SMEs – SMEs managers in Indonesia, the lower the OCB level of employees in SMEs.

Theoretical Implications Based on the results that have been described, transformational leadership has been shown to have a significant effect on OCB, transformational leadership has a significant positive effect on employee performance, OCB has a positive and significant effect on employee performance, and transformational leadership has a positive and significant effect on employee performance through organizational partial mediation. citizenship behavior. Leader-Member Exchange theory (Organ, 1988) states that "employee behavior towards the company has an important role in the success of an organization. Good treatment of employees will be able to create feelings of volunteerism in employees to be able to sacrifice for the company. The application of this theory has been proven in its application to SMEs in Indonesia. The role of the leader is very important in providing motivation, inspiration and attention to employees so that they can grow OCB and improve employee performance. Based on these findings, the results of this study are able to become empirical evidence and support other empirical studies related to transformational leadership, OCB, and employee performance in SMEs.

Practical Implications The survey results show that the application of a transformational leadership style by managers is an important factor in improving OCB and employee performance of SMEs in Indonesia. The inspiration motivation dimension is an important factor in the application of transformational leadership style by managers in growing OCB and improving employee performance. Managers of SMEs in Indonesia have been able to provide motivation so that employees work in accordance with the vision, mission, organizational goals and are able to direct employees to work in accordance with the work mechanism. The survey results show that the courtesy dimension in OCB is an important factor for SMEs employees in Indonesia to take to improve their performance. Indonesian SMEs employees have been able to apply good behavior to colleagues and SMEs. Employee behavior that respects the privacy of co-workers, does not create problems with co-workers and avoids disputes with co-workers can significantly improve the performance of SMEs in Indonesia.

Conclusion

Based on the results of the discussion of the research that has been carried out, it can be concluded that: Transformational leadership has a positive and significant effect on OCB. This means that the higher the transformational leadership values that have been applied by SME managers in Indonesia, the higher the OCB of employees in SMEs in Indonesia will be. Transformational leadership has a positive and significant effect on employee performance. This means that the better the application of transformational leadership values shown by SMEs managers in Indonesia, the better the performance of SMEs employees in Indonesia will be. Organizational citizenship behavior has a positive and significant effect on employee performance. This means that the higher the extra role played by SMEs-SMEs employees in Indonesia, the higher the employee's intention to improve their performance. Organizational citizenship behavior mediates the effect of transformational leadership on employee performance. Employee OCB will



strengthen the influence of transformational leadership on the performance of SMEs in Indonesia. Suggestions that can be given based on the conclusions obtained are as follows: Improving employee performance, transformational leadership should be prioritized by managers because based on research results that transformational leadership variables have a major influence on employee performance. Referring to respondents' perceptions of transformational leadership, leaders should always encourage employees to work in accordance with the vision, mission, and goals of the organization then motivate employees to work in accordance with work procedures and direct employees to comply with work mechanisms. Because in this case the behavior is the most dominant in shaping the construct of transformational leadership. Organizational citizenship behavior is proven to be able to partially mediate the relationship between transformational leadership style on employee performance, so it is recommended for employees to further improve and pay attention to their extra role in the organization because it can improve employee performance. This means that employees participate actively and take part in the organization so that it can show how the performance of employees in the organization. Future research should consider other factors that influence employee performance such as: motivation, job satisfaction, and the reward system as well as other mediating variables that affect the relationship between transformational leadership and employee performance. In addition, this research can also expand research orientation within the scope of a larger organization or wider population, conduct research on SMEs in other areas so that the findings of this study may be different from research in other areas.

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