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## The Effect of Transformational Leadership Values on Worker Performance

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### Abstract

This study examines the impact of transformational leadership values on employee performance, specifically focusing on Relationship Managers (RMs) and RM KPPs within the Yogyakarta Regional Office. Amid the post-COVID economic recovery, banking lending performance in the consumer sector, particularly in property financing, has shown promising growth. This is evidenced by increasing demand for commercial and FLPP property loans, supported by government policies such as tax incentives and FLPP housing procurement initiatives. Despite this potential, challenges remain, including suboptimal achievements in key performance indicators such as outstanding mortgage realization (93.01%) and unmet targets for Special Attention and Non-Performing Loan (NPL) reductions as of October 2024. The study explores how transformational leadership values—such as inspiration, motivation, potential development, and empowerment—impact RMs' productivity and efficiency in achieving consumer credit targets. Employing a mixed-method approach, the research combines surveys and interviews with RMs in the Yogyakarta Regional Office, using instruments to assess perceptions of leadership styles and their influence on performance. Findings are expected to provide actionable insights for developing leadership training programs aimed at optimizing team performance. Additionally, the study offers strategic recommendations for the banking sector to enhance leadership effectiveness, driving consumer credit growth and improving overall productivity in the Yogyakarta Regional Office.

### Keywords

Transformational Leadership, Employee Performance, Relationship, Management.

## 1. Introduction

Employee performance is a key success factor in the banking industry, especially in sectors such as property lending where the Relationship Manager for Property Loans (RM KPP) is critical. Employee performance has a major impact on the capacity to meet consumer credit demand, particularly in the property (consumer) sector and the overall effectiveness of loan marketing. Due to the increased demand for property loans after the economy recovered from the COVID-19 epidemic, the industry has seen rapid expansion in recent years. Government incentives such as tax deductions for real estate acquisitions and initiatives to boost the supply of subsidized housing under the Housing Finance Liquidity Facility (*Facilitas Likuiditas Pembiayaan Perumahan/FLPP*) program further fueled this increase (Dekoulou et al., 2023). These changes point to a bright future for the consumer credit market, especially in regional office hubs such as Bank BRI Yogyakarta Regional Office, where there is a growing need for both commercial and subsidized real estate.

Notwithstanding these advantageous circumstances, the Yogyakarta Regional Office still has difficulties meeting its goals for consumer loan performance, especially when it comes to reaching the targeted KPIs, which include debtor outreach, outstanding mortgage realization, and the containment of non-performing loans (NPLs). As of October 2024, for example, the performance objective for outstanding mortgages is 93.01%, indicating potential for improvement. The attainment of NPL and Special Attention metrics has also fallen short of the goals, indicating a continued need for improved loan management and debtor quality monitoring initiatives. These unfulfilled goals imply that, despite the consumer sector's continued high growth potential, there are fundamental obstacles to optimizing the effectiveness of relationship managers who handle and sell consumer loans (Hendrawan et al., 2024).

One crucial element that might help or hinder an employee's ability to reach performance goals is their leadership role (Buil et al., 2019). Employee empowerment and motivational leadership styles especially transformational leadership are frequently cited as successful strategies for raising worker engagement, output, and general performance (Abdillah et al., 2024). Employee performance in a variety of industries has been shown to benefit from transformational leadership, which is defined by ideals such idealized influence, intellectual stimulation, personalized attention, and inspiring motivation. Transformational leaders motivate their teams by sharing a compelling vision, supporting career advancement, and creating an atmosphere where staff members are inspired to innovate and achieve success (Chen et al., 2022).

The impacts of transformative leadership on employee performance have been the subject of several studies in recent years, and the results consistently show a favorable association. For example, it has been demonstrated that transformational leadership increases commitment Purwanto (2020), work happiness, and staff engagement all of which led to better performance results. According to research, workers are more inclined to go above and beyond the call of duty and actively contribute to the objectives of the company when they are led by people who exhibit high levels of charisma, vision, and empathy. In high-stress settings like the financial services industry, where staff members frequently have to negotiate intricate client demands and legal constraints, this connection is especially crucial. Transformational leaders may lessen the stress and strain that come with these positions by creating an atmosphere where workers feel appreciated and encouraged, enabling them to provide their best effort (Yücel, 2021; Kurniadi et al., 2024).

Like many other financial institutions, Yogyakarta Regional Office works in a competitive environment, where meeting consumer (property) loan targets is crucial to maintain growth and stay ahead of the competition. Engaging customers,

managing loan portfolios, and ensuring risk and performance metrics are followed are the responsibilities of the Property Loan Relationship Manager (RM KPP) at Yogyakarta Regional Office. Because of these tasks, Relationship Managers of Property Loans (RM KPP) must always perform well, which makes supportive leadership that inspires, guides, and cultivates the potential of workers very important. Despite this, not many studies have examined how transformational leadership ideals directly influence the performance of RM KPPs, especially in the banking industry. There is a research gap in understanding how transformational leadership specifically affects RMs in banking, which is important for achieving crucial KPIs in consumer (property) lending, as most literature to date has examined leadership in a general context, focusing on broader effects on organizational culture or performance (Kılıç & Uludağ, 2021). This study attempts to close this gap by examining how employee performance in the Yogyakarta Regional Office region is impacted by transformational leadership ideals (Rafia & Achmad, 2020). With an emphasis on the consumer segment, this study aims to investigate how a transformational leadership approach can be used to improve the results, efficiency, and capacity of Relationship Managers of Property Ownership Credit (RM KPP) in achieving organizational goals.

## **2. Literature Review**

Transformational leadership values are the core ideas that transformative leaders use to inspire and motivate their staff to put aside their own interests and strive for the organization's larger objectives (Laeq, 2021). These ideals include idealized influence, where leaders win the respect and trust of their staff by acting as role models with integrity and high ethical standards. Transformational leaders inspire passion and dedication to common goals by communicating a compelling vision through inspiring motivation (Syarief, 2021). Another crucial element is intellectual stimulation, which is fostered by leaders who support innovative thinking, push staff to challenge presumptions, and investigate novel ideas in order to create an atmosphere conducive to ongoing learning and development. Furthermore, individualized consideration shows that the leader is aware of each worker's particular requirements and provides them with opportunities for growth, coaching, and assistance to help them realize their full potential (Judson et al., 2024).

Employee performance refers to the extent to which a person contributes to the success and productivity of the team and business by carrying out the duties, obligations, and objectives related to their position within an organization (Segarwati et al., 2022). It includes an employee's capacity to reach or surpass predetermined criteria and goals, as well as the caliber, effectiveness, and consistency of their job production. Numerous criteria, such as productivity, job quality, time management, collaboration, and flexibility in response to shifting needs, are frequently used to assess employee performance. Strong dedication to their work, productive teamwork, initiative, and problem-solving abilities that support corporate objectives are characteristics of high-performing personnel. Since an organization's capacity to innovate, compete, and succeed over the long term is directly impacted by the collective performance of its employees, employee performance is ultimately a crucial factor in determining organizational effectiveness (Abdelwahed & Doghan, 2023).

According to transformational leadership theory, leaders have a responsibility to inspire and encourage staff members to realize their greatest potential. This notion holds that transformational leaders interact with their workforce on a deeper level by building trust, promoting creativity, and creating a sense of shared purpose, going beyond merely providing guidance or rewards. The theory identifies four main actions of transformative leaders: idealized influence, inspiring motivation, intellectual stimulation, and individualized consideration. Employees who engage in

these activities become more dedicated to the company's objectives, experience greater job satisfaction, and are more likely to go above and beyond the call of duty. As a fundamental paradigm for leadership studies, this theory emphasizes how a leader's actions and ideals can motivate staff to perform their best work, making it especially applicable in situations that require flexibility and high levels of participation (Jun & Lee, 2023).

Social Exchange Theory, originally developed in sociology, posits that relationships are based on a series of transactions in which individuals seek to maximize benefits and minimize costs. In an organizational setting, transformational leaders provide their staff with support, direction, and opportunities for growth, and in turn, these employees feel compelled to reciprocate (Handayani et al., 2024). When workers perceive that their leaders genuinely care about their development and well-being, they often respond with increased loyalty, dedication, and performance. This reciprocal interaction fosters a productive workplace and supports the idea that employees are more likely to go beyond expectations when they feel appreciated and supported. Together, these two theories offer a comprehensive understanding of how transformational leadership can enhance worker performance by motivating leadership actions and fostering positive relationships between managers and staff (Nazir et al., 2018; Anggraeni, 2020).

Through their idealized influence, intellectual stimulation, inspiring motivation, and personalized attention, transformational leaders foster an atmosphere where staff members feel inspired, appreciated, and in line with the organization's mission. Transformational leaders gain the respect and trust of their team members by modeling moral behavior and upholding high standards, which motivates them to make more significant contributions to the objectives of the company. Employees are motivated to work assiduously and enthusiastically toward common objectives when leaders present a compelling and unambiguous vision (Shah, 2022). In addition to improving individual performance, this feeling of purpose fosters a culture of creativity and group accomplishment. Employees are also intellectually stimulated by transformational leaders, who push them to think creatively and tackle issues from novel perspectives. This promotion of creativity and problem-solving skills cultivates a proactive attitude, enabling staff members to adjust to modifications and offer suggestions that enhance procedures or goods (Mouazen et al., 2023).

According to Manzoor et al. (2019), job performance is favorably and entirely predicted by transformational leadership. In particular, the study reveals that the impact of transformational leadership on job performance was considerably mediated by CSR. These results provide an explanation for the importance of CSR, job performance, and transformative leadership in a business. The performance of the organization can be enhanced by these components. The current study's theoretical ramifications are examined, providing guidance for further research in the field. According to Zaw & Takahashi (2022), work engagement acts as a partly mediating factor in the beneficial association between transformational leadership and contextual performance. The connection between work engagement and transformative leadership is greatly enhanced by mindful awareness. By offering more empirical support for the equivocal contextualization of mindful awareness as a personal resource, this study adds to the body of literature.

According to research by Kim et al. (2023), organizational identity and creativity are impacted differently by the four characteristics of transformative leadership. Intellectual stimulation improves creativity, which in turn effects task performance, whereas core transformational leadership and supportive leader conduct improve workers' organizational identity. The association between two aspects of transformative leadership and creativity is totally mediated by organizational identity, according to the post hoc study (Hui et al., 2021). By advancing our understanding of the impact of transformational leadership on workers, this study

adds to the body of literature already available on leadership theory and social identity theory. There are several suggested theoretical and practical ramifications.

### **3. Methods**

The influence of transformational leadership values on the performance of Relationship Managers of Property Ownership Credit (RM KPP) in the Yogyakarta Regional Office is examined in this study using a mixed methods approach that combines quantitative and qualitative research techniques (Rafia & Achmad, 2020). By combining in-depth qualitative insights with quantitative data, the mixed methods approach enables a thorough investigation of the phenomenon and provides a more complete understanding of how leadership values influence performance outcomes. This strategy supports Creswell's (2019) assertion that mixed methods research increases the validity of findings by combining data sources, offering a more thorough examination of the impact of transformational leadership in a banking environment.

Relationship Managers of Property Ownership Credit (RM KPP) in the Yogyakarta Regional Office were given a structured survey to complete in order to collect quantitative data for this study. The purpose of the survey was to measure how workers perceive transformational leadership values, such as empowerment, inspiration, motivation, and growth potential. In addition, the poll assessed how these leadership values were perceived to affect performance metrics such as efficiency, productivity, and goal achievement. The quantitative phase offers empirical data on the direction and intensity of the relationship between transformational leadership and worker outcomes by concentrating on quantifiable leadership and performance assessments (Husni et al., 2023). Regression analysis is one of the statistical techniques used to find patterns and correlations that help determine which particular leadership ideals have the greatest effect on worker performance.

Selected Property Ownership Credit Relationship Managers (RM KPP) in the Yogyakarta Regional Office region participated in semi-structured interviews to provide qualitative insights in addition to quantitative data. These interviews addressed individuals' experiences and viewpoints on how transformational leadership ideals influence work motivation and performance. By gathering a complex understanding of how leadership actions are viewed and how they influence workers' work attitudes and behaviors, this qualitative component seeks to provide contextual richness. According to Patton (2015), qualitative techniques such as interviews enable the investigation of complex, human-centered phenomena that may be difficult to fully represent using only quantitative data.

Purposive sampling is the method used in this study to select Relationship Managers of Property Ownership Credit (RM KPP) who work directly with creditor customers in the Yogyakarta Regional Office. This selection strategy ensures that participants have relevant experience and understanding of transformational leadership methods and how they affect performance in a particular banking industry. In addition, purposive selection of participants supports the claim that by focusing on people who have knowledge or experience related to the research issue, purposive sampling can increase the relevance of the data (Bougie & Sekaran, 2019). Both quantitative and qualitative techniques are used in data analysis. The quantitative data is analyzed using statistical tools, which includes regression analysis, correlation analysis, and descriptive statistics, to find meaningful connections between employee performance measures and transformational leadership ideals (Bougie & Sekaran, 2019). Thematic analysis is used to find recurrent themes and insights in the qualitative data from the interview replies. Thematic coding facilitates pattern recognition and offers a thorough grasp of how

particular transformational leadership ideals connect with staff members and impact their performance in daily tasks.

A comprehensive analysis of the research results was made possible through the integration of quantitative and qualitative data, which considered both quantifiable and subjective experiences related to transformational leadership. The research results were assessed against the operational objectives of the Relationship Manager of Property Ownership Credit (RM KPP), specifically related to property loans. This interpretation offers practical suggestions to strengthen worker performance and leadership techniques in the Yogyakarta Regional Office. It is hoped that the research findings will guide leadership development and training initiatives that seek to maximize the outcomes and effectiveness of RM KPPs using transformational leadership principles. In conclusion, this research aims to provide useful suggestions to drive long-term performance improvement in the banking sector.

**Table 1.** Various measurement variables related to transformational leadership based on quantitative methods

Study	Variable Measurement	Instrument/Scale	Main Outcome
Manzoor et al. (2019)	Transformational Leadership, Work Performance	MLQ (Multifactor Leadership Questionnaire)	Transformational leadership improves work performance, mediated by commitment and CSR (Corporate Social Responsibility).
Kim et al. (2023)	Work Engagement, Contextual Performance	MLQ, Creativity Scale	Intellectual stimulation from leaders enhances creativity, which contributes to task performance.
Zaw & Takahashi (2022)	Keterlibatan Kerja, Kinerja Kontekstual	Work Engagement Scale (UWES), MLQ	Work engagement mediates the relationship between transformational leadership and contextual performance.
Nazir et al. (2018)	Affirmative Commitment, Innovative Behavior	Organizational Commitment Scale, MLQ	Organizational commitment influenced by transformational leadership increases innovative behavior.
Chen et al. (2022)	Job Satisfaction, Employee Relationship Climate	MLQ, Job Satisfaction Scale	Transformational leadership increases job satisfaction through a positive relational climate.

The Multifactor Leadership Questionnaire (MLQ) is a scale commonly used to measure transformational leadership through dimensions such as intellectual stimulation, idealized influence, and inspirational motivation. The Worker Job Engagement Scale measures employee work engagement and is often used in a leadership context to assess the effects of motivation and dedication to work. The Organizational Commitment Scale Worker gauges the extent to which employees feel attached to the organization and their willingness to contribute more toward achieving organizational goals. The Employee Job Satisfaction Scale is used to measure the level of satisfaction employees feel toward their jobs, which may be influenced by the interpersonal relationships or work climate established by transformational leaders.

#### 4. Conclusion

Transformational leadership has been shown to significantly enhance employee performance across various sectors. This leadership style is characterized by the ability to motivate, inspire, and empower employees, fostering a work environment that encourages productivity, innovation, and collaboration. Transformational leaders focus on aligning employees' personal goals with organizational objectives, creating a sense of purpose and commitment that drives higher performance levels. Studies leveraging both quantitative and qualitative approaches provide compelling

evidence of the effectiveness of transformational leadership. Quantitative research, through numerical data analysis, demonstrates the measurable impact of such leadership on employee performance indicators, including efficiency, job satisfaction, and overall output. On the other hand, qualitative studies offer deeper insights into the personal and professional growth of employees under transformational leaders, highlighting the role of individualized support, vision communication, and value-based motivation. The implementation of transformational leadership is recommended as an effective strategy for optimizing employee productivity and achieving organizational goals. By fostering open communication, recognizing employee contributions, and encouraging creative problem-solving, transformational leaders build a culture of trust and engagement. This approach not only improves individual and team performance but also strengthens organizational adaptability in dynamic environments. In conclusion, adopting transformational leadership values can lead to substantial improvements in employee performance, making it a valuable strategy for organizations aiming to enhance their competitive advantage. Leaders who inspire, empower, and support their teams are instrumental in achieving sustainable success and fostering a positive organizational culture.

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