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THE IMPACT OF TRANSFORMATIONAL LEADERSHIP AND INCENTIVE STRUCTURES THE INFLUENCE OF JOB SATISFACTION AS A MEDIATING VARIABLE ON EMPLOYEE PERFORMANCE IN BLADO DISTRICT, BATANG REGENCY

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ABSTRACT **DOI No: 10.36713/epra20375** **Article DOI: https://doi.org/10.36713/epra20375**

This research endeavor seeks to examine the impact of transformational leadership and incentive mechanisms on employee performance within the governmental context of the Blado District, through the mediation of the role of job satisfaction. Through a quantitative approach, data were collected from all Blado District employees using a questionnaire. The research sample consisted of 55 employees from the Blado District who participated in this investigation. The analysis of data was executed utilizing Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings of the research reveal that both Transformational leadership and incentive structures have a substantial and beneficial impact. on employee performance. Additionally, this investigation validates that job satisfaction effectively mediates the association between transformational leadership and employee performance. These results suggest that transformational leaders capable of motivating and offering assistance, and create a positive work environment, as well as a fair and relevant reward system, can increase employee job satisfaction, thereby improving their performance. The implication of this study is the importance for the Blado District government to continue to develop transformational leadership and improve the reward system in order to achieve more optimal organizational performance.

KEYWORDS: *Transformational Leadership, Incentive Framework, Workforce Efficacy, Job Satisfaction, PLS-SEM, Blado District, Government*

INTRODUCTION

In a period characterized by progressively stringent competition, entities are necessitated to perpetually enhance their operational efficacy to ensure both survival and prosperity. One important factor that can affect organizational performance is employee performance (Azhari and Sutisna 2016). In a period characterized by progressively stringent competition, entities are necessitated to perpetually enhance their operational efficacy to ensure both survival and prosperity. Effective leadership, especially transformational leadership, is considered capable of motivating employees to achieve optimal performance. In conjunction with leadership, the incentive framework significantly contributes to the enhancement of employee productivity. An equitable and pertinent reward system can serve as an additional source of motivation for employees to enhance their performance. Transformational leadership is characterized as a leadership approach that invigorates, encourages, and cultivates self-assurance among employees, consequently enhancing their job satisfaction and performance outcomes. Transformational leaders not only focus on formal tasks, but also Foster robust connections with personnel to cultivate an affirmative organizational atmosphere (Ludi Priyatmo 2018). In the context of public services in Blado District, the role of transformational leadership is expected not only to improve individual performance, but also to be able to encourage more efficient and effective services to the community as a whole. (Pioh and Tawas 2016) also stated that rewards are incentives that encourage employees to work harder so that they can compete at

the same level. This is known as a reward or award. The provision of rewards in a company must be fair, in the sense that rewards must be given to employees for several reasons related to the quality and achievements achieved by employees (Zulkarnaen et al. 2020).

LITERATURE REVIEW AND HYPOTHESIS

Transformational Leadership Paradigm

The transformational leadership paradigm possesses the capacity to evoke constructive change among its adherents. Individuals exemplifying this leadership style engage attentively and actively participate in the collaborative process, facilitating the successful execution of tasks by group members. Such leaders often embody an optimistic demeanor that serves to uplift their subordinates, thus fostering an environment that enhances the motivational levels of their followers. Leaders will care deeply about the welfare and progress of each of their subordinates (Palilu 2022). As Bratton et al (2005:10) stated that the study of leadership must be associated with organizational performance.

According to (Hermani 2017) The capacity to guide, impact, and oversee subordinates in a manner that encourages them to perform, conduct themselves, and engage in activities that facilitate the delivery of quality work aimed at fulfilling the organization's objectives is critical. While leadership constitutes a vital aspect of management, it is not synonymous with management itself. Leadership embodies the skill possessed by an individual to sway others towards collaborative efforts in pursuit of established goals and aspirations. (Randy, Agung, and Kuraesin 2019).

In his theoretical framework, Burns (1997) (as cited in Pareke, 2004) articulates transformational leadership as a dynamic interchange whereby "leaders and followers elevate one another to a superior tier of ethics and motivation," which encompasses principles such as liberty, equity, and humanity, rather than being predicated on affective states like avarice, social envy, or animosity. Robbin (2003). Simultaneously, transformational leadership according to Kottler and Pankowski in (Maulana, 2012) is defined as the process of inspiring change and empowering subordinates to achieve high goals, to improve themselves and improve organizational processes.

The Influence of Transformational Leadership on Employee Satisfaction

Transformational leadership significantly influences employee job satisfaction, as leaders who adopt this style generally provide considerable support, motivation, and inspiration to their subordinates. Transformational leaders not only focus on achieving organizational targets but also on employee personal development.

The exploration of the nexus between transformational leadership and employee job satisfaction is substantiated by research conducted by Bass (1999), which posits that transformational leaders possess the capacity to harmonize future aspirations with their followers, thereby elevating the needs of those followers beyond their immediate requirements. Transformational leadership is also characterized as a mechanism for fostering commitment to organizational objectives and instilling confidence in employees to realize these aims. Consequently, such leadership inspires employees to engage with greater enthusiasm and enhances productivity, ultimately culminating in increased employee job satisfaction.

H1: Transformational Leadership has a positive effect on job satisfaction

The Influence of Reward System on Job Satisfaction

According to Fahmi (2016:57) Reward or what we often call compensation is a form of reward given to an employee for the work achievements done, both financial and non-financial. That way, employees will feel appreciated for their work, which then creates job satisfaction felt by employees in the company.

The significance of this discovery is that the incentives provided by the organization do not have a direct impact on employee job satisfaction, as the types of rewards sought by employees are exceedingly varied. The types of rewards preferred by employees encompass not only extrinsic rewards such as remuneration, benefits, and promotions but also intrinsic rewards including the fulfillment of tasks, personal achievements, autonomy, and opportunities for self-improvement.

H2: The Reward Mechanism has a significant and affirmative impact on employee contentment.

The Influence of Employee Performance on Job Satisfaction

Good performance also has an impact on employee self-confidence and self-perception. When employees see that they are able to achieve positive results, they tend to have a more positive view of their work. This strengthens their intrinsic motivation to continue to develop and contribute to the organization.

The performance of employees exerts considerable influence on the degree of job satisfaction experienced. When employees achieve good work results, they tend to feel a sense of pride and personal accomplishment that contributes to feelings of satisfaction in their work. Achieving these performance targets has a positive psychological impact, due to the perception of their contributions being acknowledged and deemed essential, both for their individual selves and for the organization as a whole.

H3: The performance of employees exerts a beneficial and meaningful influence on their job satisfaction.

The Impact of Incentive Structures on Workforce Productivity

Paramarta (2016:18) posited that the provision of rewards constitutes a crucial aspect of human resource management practices, serving as a manifestation of the organization's affirmative acknowledgment aimed at fostering motivation. This practice not only reflects the organization's engagement in encouraging employees but also aims to elicit optimal performance from them. The magnitude of the rewards conferred by the organization often mirrors the level of productivity exhibited by employees, which is influenced by their sense of accountability and their strong affiliation The organization, in reciprocation, acknowledges and appreciates the inputs of its employees, reciprocating with rewards that are significant and can be tangibly experienced by the workforce.

Extensive investigations have previously been conducted regarding the correlation between incentives and the performance of employees. Pramesti et al. (2019), in their study, discovered that incentives exert a beneficial influence on employee performance. This implies that an increasingly equitable reward system administered will lead to improved outcomes for employees. such as salary and bonuses, welfare, and career development, employee performance will increase so that they are able to carry out their work well with quality, have punctuality, effectiveness and have independence. The findings of the present investigation corroborate prior research facilitated by Lamin (2021); Suparmi and Septiawan (2019); Ruben and Priyantono (2019); Suparmi and Septiawan (2019); Husin, et al. (2019); Ruben and Priyantono (2019); and Wirawan and Afani (2018).

H4: The incentive framework exerts a beneficial and substantial influence on the performance of employees.

The Influence of Transformational Leadership on Employee Performance

A prominent determinant that significantly affects the resilience and advancement of an organization is its leadership. Attaining a leadership position is a complex endeavor, fraught with challenges, particularly in today's digital age. Leaders have a great responsibility in motivating their members so that organizational goals can be achieved together through knowledge management and innovation capabilities (Le & Lei, 2019).

The conduct exhibited by individuals in authoritative positions towards their subordinates significantly impacts employee performance. The basis of the behavioral order given by a leader to his subordinates has a great influence on the way of working innovatively, and employee learning motivation (Afsar & Umrani, 2020).

Transformational leadership represents a paradigm of leadership that emphasizes the empowerment of organizational members through inspiration, motivation, and attention to individual needs in the organization. Transformational leaders tend to motivate employees to achieve higher goals and do work beyond their expectations.

H5: Transformational leadership has a positive and significant impact on employee job satisfaction.

The Impact of Transformational Leadership on Job Satisfaction Mediated by Employee Performance

Transformational leadership can indirectly influence employee job satisfaction through improving employee performance. Transformational leaders play a role in creating an inspiring work environment, providing motivation, and supporting the development of employee potential. Leaders with this style encourage employees to have a higher vision and to work with more dedication. In a work atmosphere like this, employees are usually more motivated to strive to achieve good performance, because they feel driven by the direction and support of their leaders.

Moreover, the transformational leadership paradigm cultivates a sense of community and engagement among employees within the organization. This, in turn, motivates them to enhance their contributions and attain favorable outcomes in their professional endeavors. When employee performance increases due to support from leaders, feelings of appreciation and performance achievement will strengthen overall job satisfaction.

H6: Transformational Leadership exerts a favorable and substantial influence on job satisfaction via employee performance.

The Effect of Reward System on Job Satisfaction through Employee Performance

When rewards are given fairly and based on performance achievement, employees feel appreciated and motivated to give their best efforts. Financial rewards such as bonuses or result-based incentives, as well as non-financial rewards such as recognition and appreciation, can motivate employees to work harder and achieve expected targets. In this case, the reward system acts as a performance driver, which indirectly increases job satisfaction.

A good reward system also helps build employee trust and loyalty towards the organization. When employees see that rewards are given objectively based on performance results, they are more motivated to achieve targets and meet organizational expectations. Employees who feel appreciated and motivated through rewards will improve their performance, which ultimately strengthens their job

satisfaction because of the appreciation of the results they have achieved.

H7: The incentive framework exerts a constructive and meaningful influence on job satisfaction by enhancing employee performance.

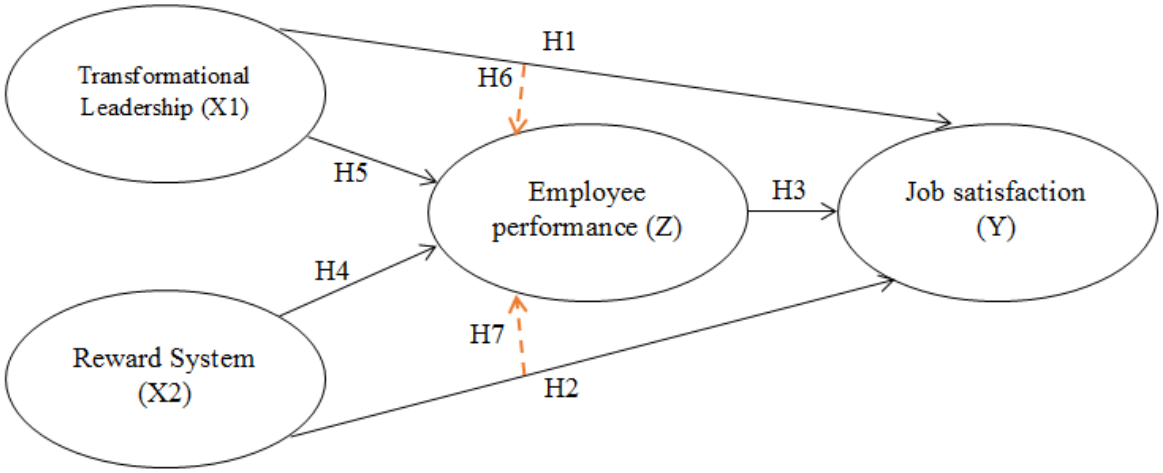


Figure 1 Research Framework

RESEARCH METHOD

The research methodology employed in this study is characterized by a quantitative approach utilizing a survey technique. The researcher opts for a quantitative method due to the objective of this investigation, which is to ascertain the impact of the variables of discipline and satisfaction on performance, as supported by statistical data.

The study's population comprises all employees located in Blado District, Pemalang Regency, amounting to a total of 55 individuals. The sampling method adopted is probability sampling, specifically employing simple random sampling.