



Linking Leadership Style to Employee Performance with Job Satisfaction as a Mediation

ABSTRACT

Ratna Mitasari^{*}, Achmad Sani Supriyanto, Vivin Maharani Ekowati

Economics, Maulana Malik Ibrahim State Islamic University, 65144, Indonesia

*Corresponding author e-mail: ratna.3198@gmail.com

The problem of this research is whether the Leadership Style affects employee performance through job satisfaction. This study aims to explain the effect of leader-member exchange (LMX) on employee performance by mediating job satisfaction. This study uses one type of explanation to examine the effect of LMX on employee performance and mediates job satisfaction. The sampling technique used in this study was saturated sampling, where the total population studied was 108 respondents. This research tool is a questionnaire, after which the information obtained is processed with path analysis. The results of this study indicate that LMX has a significant effect on employee performance, and job satisfaction has a significant effect on employee performance. The results of this study also indicate that job satisfaction can mediate the effect of LMX on employee performance.

Keywords: Leader-Member Exchange, Job Satisfaction, Employee Performance

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INTRODUCTION

A leader and subordinates share information and exchange resources through communication. Leaders need information that comes from subordinates. Relating to reports on the progress of work targets or reports on problems that can hinder the achievement of organizational goals. It helps the leader understand the problems experienced by subordinates and provides an overview of the general state of the organization.

The interaction between superiors and subordinates is related to the concept of LMX. According to Robbins and Judge (2015), LMX is a concept about the relationship between leaders and followers, divided into inner and outer groups. Subordinates with internal group status have higher performance ratings, lower employee turnover, and higher job satisfaction.

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Fattah (2017), everyone's job satisfaction is relative. Satisfaction varies from person to person. In general, job satisfaction is the level of joy or positive emotions and attitudes that an employee responds to due to an evaluation. According to Supriyanto and Maharani (2013), understanding employee performance suggests that it is hard work to use their abilities to achieve goals under certain conditions. Performance thus arises from the link between cooperation, skill and performance of the tasks assigned to the employee.

Chaurasia and Shukla (2015) showed that LMX was positively and significantly associated with employee performance. Anand et al. (2018) findings show that LMX dynamically influences the validity of employee performance measures, and Brevart's (2015) results show that LMX significantly showed a significant impact. It is due to the good relationship between managers and employees. In other words, the manager-employee relationship is based on interpersonal relationships rather than job/professional values.

Meanwhile, the research from Suharnomo & Kartika (2016), the results of the LMX study did not directly affect the performance of Anshari's et al. (2018). Choy et al. (2016) said that LMX did not affect employee performance. This is because the mediated variable of job satisfaction will increase employee performance's influence. Ikhbar (2015) shows that LMX directly impacts employee satisfaction. Mirna et al. (2017) show that LMX positively impacts job satisfaction. Because leaders who can direct their employees to stay motivated feel more satisfied with their work. Meanwhile, there is an indirect relationship between LMX and job satisfaction.

The object of this research is the financial area office of PT BPR Pemkab Malang. PT BPR Pemkab Malang is a Credit Bank owned by the Malang Regency Government. The main purpose of establishing this BPR is to empower the community's economy, including providing savings services for the community and assisting in building small and micro businesses, especially for people in the Malang Regency area. The company's branch offices are groupings of work in work units, and a branch head leads each work unit. Researchers' research proves that 7 out of 10 employees feel uncomfortable and dissatisfied with their work, which decreases employee performance. A less professional supervisor providing work direction to his subordinates causes obstacles when doing his job and the lack of superior knowledge to provide solutions to the work risks experienced by his employees. From the above several studies, it is found that leadership style, which is effective in managing human resources in each department, influences job behavior, affecting individual job satisfaction. Can be concluded to lead to increased job satisfaction. Employees demonstrate unity, which influences the overall improvement of the company's performance. So, this study aims to investigate the effect of LMX on Job Satisfaction, explain the effect of LMX on Employee Performance, and explain the effects of LMX on Employee Performance Mediated by Job Satisfaction.

LITERATURE REVIEW

LMX and job satisfaction

A study by Liang et al. (2018) on LMX theory shows that segments of employees within groups receive better performance ratings, indicating higher job satisfaction and organizational commitment (Robbins and Judge, 2015). When employees are willing to perform specific tasks and serve others, they effectively engage in shared exchange behavior. B. As a member of an exchange group that strengthened his role in the organization Bolino (1999). Employee care is improved, and job satisfaction is increased. Previous studies have shown that close exchange relationships between groups and managers mean more benefits, authority, training, and promotion opportunities for group employees than other employees. It turns out that it means higher job ratings and satisfaction (Siddique et al., 2020).

H1: The effect of LMX on Job Satisfaction

LMX and employee performance

According to Robbins and Judge (2015), if the relationship between superiors and subordinates is good, the more structured employees work, the more power managers have and the more control they have. Will be The attitude to follow the current situation is the key to leadership effectiveness. The presence of a leader in a company or organization is very basic and important as it plays a strategic role in achieving the company's goals. Good and good leadership can motivate employees to achieve good performance results and outcomes, as the influence of good leadership can determine the success or failure of employee performance.

H2: The effect of LMX on Employee Performance

Leader-Member Exchange (LMX) and employee performance through job satisfaction

According to Wijanto & Sutanto (2013), good manager-employee relationships or manager-member exchanges (LMX) increase employee job satisfaction. The results of these studies are based on the quality of communication between superiors and subordinates. Suppose the employee has good relationship skills with their boss. They usually enjoy multiple privileges such as mutual trust, effective relationship support and protection, attention, respect, and self-approval. In addition to job satisfaction, they strive to develop a more rigorous organization.

H3: The effects of LMX on Employee Performance Mediated by Job Satisfaction

METHODOLOGY

This type of research is described in Explanatory Research (Supriyanto and Maharani (2013)). The population and sample are all PT BPR Pemkab Malang employees, and the sample is his 108 employees. The operational definitions of the variables for the indicators

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of each variable in this survey are: 1) Leader-Member Exchange (LMX) variables, including indicators of affection, loyalty, contribution, and professional respect from Audenaert et al., 2016). 2) job satisfaction variable with three indices: our work environment, promotion and professional recognition according to Supriyanto and Maharani (2013), and 3) employee performance adopted by Robbins (2002) with four indicators: Quality of work, the quantity of work, punctuality, knowledge of work. Path analysis or path analysis is used to analyze relationships between variables. This model aims to determine whether a set of independent variables (exogenous) has a direct or indirect effect on a dependent variable (endogenous) (Riduwan & Kuncoro, 2008). Path coefficients are standardized regression coefficients calculated from a fixed database with standard numbers (Supriyanto & Maharani, 2013).

RESULTS

Significance Test

In this significance test, two substructure tests will be carried out, the first to see the effect of LMX on job satisfaction. Then in the second substructure, the effect of LMX and job satisfaction on employee performance will be tested.

Substructure 1 is the effect of LMX on job satisfaction.

Table 1. LMX on Job Satisfaction

Model	Beta	t	pvalue	Result
X	0.443	5.093	0.000	significant
Dependent variable Z				
R= 0.443	F = 25.940			
R square = 0.197	Sig = 0.000			

Based on the Table 1, the regression equation that reflects the variables in this study is:

$$Z = 0.443X + e_1$$

The beta values of the standardized coefficients indicate that the contribution of the LMX variable to job satisfaction is 0.443, with a significant value of 0.000 < 0.05 means that LMX has a positive and significant effect on job satisfaction.

Based on the Table 2, the regression equation that reflects the variables in this study is:

$$Y = 0.220X + 0.235Z + e_2$$

The standardized coefficient beta values show that the contribution of the LMX variables to employee performance is 0.220, with significant values of 0.031 > 0.05. It means that LMX has a positive and significant impact on employee performance. The beta values of the standardized coefficients show that the contribution of the job satisfaction variable

to employee performance is 0.235, with significant values of $0.021 > 0.05$. It means that job satisfaction has a positive and significant impact on employee performance.

Table 2. LMX, Job Satisfaction to Employee Performance

Model	Beta	t	pvalue	Result
X	0.220	2.191	0.031	significant
Z	0.235	2.345	0.021	significant

Dependent variable Y
 R= 0.387 F = 9.246
 R square = 0.150 Sig = 0.000

Table 3. Variable Effect Calculation

Direct Effect	Indirect Effect	Total Effect	Results
X – Y = 0.220	X – Z – Y (0.443 x 0.235) = 0.104	X – Z – Y (0.443 + 0.235) = 0.678	0.031 (sig)
Z – Y = 0.235			0.021 (sig)
X – Z = 0.443			0.000 (sig)

Hypothetical results for the effect of LMX variables on employee performance yielded a path coefficient value of 0.220 and a significance value of 0.031. It indicates a positive significant <0.05 effect between his LMX variables on employee performance. It means that high LMX roles influence employee performance within an organization.

Hypothetical results for the effect of LMX variables on job satisfaction yielded a path coefficient value of 0.443 and a significance value of 0.000. It indicates a positive and significant <0.05 effect between his LMX variables on job satisfaction, suggesting that a high LMX role influences job satisfaction improvement.

Hypothetical results for the effect of LMX variables on employee performance yielded a path coefficient value of 0.220, with a direct effect of job satisfaction on employee performance of 0.235. In contrast, the indirect effect of the LMX variables on employee performance through job satisfaction is 0.104. The overall impact of his LMX variables on employee performance through job satisfaction is 0.678.

DISCUSSION

The direct effect of LMX on Employee Performance

Using pathway analysis methods to test the hypothesis, the results of this study show that LMX has a direct and positive effect on the performance of PT BPR Malang Regency Government employees. From this, LMX has a positive and significant impact on employee performance. An LMX can improve an employee's performance in his LMX role properly implemented. In a study by Audenaert et al. (2016), If an employee perceives her LMX as high quality, the employee experiences managerial performance as more supportive than

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managing. An organization's employee performance is interpreted through each of its LMX relationships.

Employees within an organization differ in the degree to which they perceive their relationship with leadership as qualitative. The employee forms his perception of the quality of LMX over time by exchanging role expectations and fulfilment. In contrast, low-quality LMX relationships lead to contractual economic exchanges. It is consistent with the opinion of Liang et al. (2018) that one of the applications of LMX in PT BPR Pemkab Malang is loyalty and the company's commitment to LMX sustainability. In line with research by Siddique et al. (2020), who state that loyalty positively impacts firm performance, organizational performance is the cumulative result of employee performance.

Direct Effect of LMX on Job Satisfaction

This study's results show a positive and significant effect between LMX and job satisfaction PT BPR Pemkab Malang. Job satisfaction increases when LMX is properly implemented. It is demonstrated by the work environment in which an employee finds himself within an organization, one of the indicators of job satisfaction, and her LMX indicator of affection. Affection promotes intimacy between people so that employees can feel each other.

According to Ariani (2012), LMX significantly impacts job satisfaction, engagement, role performance, and organizational behavior. According to Ariani (2012), employees are more likely to have good relationships with their supervisors if they are given proper direction. Similarly, the results of a study by Liang et al. (2018) LMX show that segments of employees within a group receive better performance ratings and exhibit higher job satisfaction and organizational engagement (Mirna et al. (2017). When employees are willing to perform specific tasks and serve others, they effectively engage in shared exchange behavior.

LMX on Employee Performance Through Job Satisfaction as a mediation

Based on the results of this study using the path analysis method, it can be said that LMX indirectly has a significant impact on the performance of PT BPR Pemkab Malang employees. In this case, LMX has a significant positive impact on employee performance through job satisfaction. In other words, if LMX's role and job satisfaction are very high, this indirectly affects employee performance. The results of this study are consistent with Wijanto & Sutanto (2013) opinion that good manager-employee relationships or leader-member-exchange (LMX) increase employee job satisfaction. Suppose the employee has good relationship skills with their boss. In that case, they usually enjoy multiple privileges such as mutual trust, effective relationship support and protection, attention, respect, and self-approval, and, in addition to job satisfaction, strive for stronger organizational development, giving more opportunities to contribute.

Research Implication

Results show that job satisfaction influences employee performance and can mediate between leadership style and employee performance. The results of this study support studies previously conducted by other researchers. The better the leadership style applied to a company, the more job satisfaction employees feel will affect their fulfillment of their assigned tasks.

CONCLUSIONS

Based on the results of this study, it can be said that LMX indirectly has a significant impact on the performance of PT BPR Pemkab Malang employees. In this case, LMX indirectly has a significant positive impact on employee performance through job satisfaction. In other words, if LMX's role and job satisfaction are very high, this indirectly affects employee performance. Based on the results of the significance test, LMX has been shown to have a significant impact on employee performance. The better the LMX managers use to get their work done, the better their PT BPR employees perform. LMX has a positive and significant effect on job satisfaction. In other words, the better LMX is applied by a manager and his subordinates who have a good relationship, the more satisfied PT BPR Pemkab Malang employees are. LMX has an indirect positive impact on employee performance through job satisfaction. It means that an employee's job satisfaction can indirectly mediate the impact of her LMX on the employee's performance.

Recommendations

Future research that could be given is to maintain transformative leadership styles, such as keeping employees satisfied with their jobs and loyal to the company.

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