THE RELATIONSHIP OF LEADERSHIP, DISCIPLINE, SATISFACTION, AND PERFORMANCE: A CASE STUDY OF STEEL MANUFACTURE IN INDONESIA


ARTICLE INFO

Article history:
Received 21 November 2022
Accepted 13 February 2023

Keywords:
Transactional Leadership; Transformational Leadership; Work Discipline; Job Satisfaction; Job Performance.

ABSTRACT

Purpose: The aim of this study is to predict the relationship of leadership, discipline, satisfaction, and performance.

Theoretical framework: The framework was developed based on the relationship of transactional leadership, transformational leadership, work discipline, job satisfaction, and employee performance.

Design/methodology/approach: The study use quantitative approach. Data were collected by distributing questionnaires to 100 respondents. Data were analyzed statistically using smartPLS.

Findings: The results indicated that there is a positive direct effect of transactional leadership to job satisfaction and job performance. There is a positive direct effect of transformational leadership to job performance but not to job satisfaction. There is a positive direct effect of work discipline to job satisfaction but not to job performance. Job Satisfaction mediates the positive effect of Transactional Leadership to Job Performance and Work Discipline to Job Performance, but not mediates the positive effect of Transformational Leadership to Job Performance.

Research, Practical & Social implications: The study implied to the body of knowledge of job performance and job satisfaction to fill the research gaps. The study also implied to business practitioner in managing job performance through job satisfaction based on leadership and discipline.

Originality/value: The value of the study indicate performance and satisfaction are very important and related with leadership and discipline.

Doi: https://doi.org/10.26668/businessreview/2023.v8i2.1146

A Associate Professor, Department of Management, STIE Widya Wiwaha, Yogyakarta, Indonesia. Jl. Lowanu No.71-96, Sorosutan, Kec. Umbulharjo, Kota Yogyakarta, Daerah Istimewa Yogyakarta 55162, Indonésia. E-mail: suhartono@stieww.ac.id Orcid: https://orcid.org/0000-0001-5136-3707
B Associate Professor, Department of Accounting, STIE Widya Wiwaha, Yogyakarta, Indonesia. Jl. Lowanu No.71-96, Sorosutan, Kec. Umbulharjo, Kota Yogyakarta, Daerah Istimewa Yogyakarta 55162, Indonésia. E-mail: sulastiningsih@stieww.ac.id Orcid: https://orcid.org/0000-0003-1289-7698
C Associate Professor, Department of Management, STIE Widya Wiwaha, Yogyakarta, Indonesia. Jl. Lowanu No.71-96, Sorosutan, Kec. Umbulharjo, Kota Yogyakarta, Daerah Istimewa Yogyakarta 55162, Indonésia. E-mail: uswatun.chasanah31@stieww.ac.id Orcid: https://orcid.org/0000-0001-8859-8526
D Associate Professor, Department of Economics, STIE Widya Wiwaha, Yogyakarta, Indonesia. Jl. Lowanu No.71-96, Sorosutan, Kec. Umbulharjo, Kota Yogyakarta, Daerah Istimewa Yogyakarta 55162, Indonésia. E-mail: nurwidiastuti@stieww.ac.id Orcid: https://orcid.org/0000-0001-8878-8020
E Associate Professor, Department of Management, STIE Widya Wiwaha, Yogyakarta, Indonesia. Jl. Lowanu No.71-96, Sorosutan, Kec. Umbulharjo, Kota Yogyakarta, Daerah Istimewa Yogyakarta 55162, Indonésia. E-mail: wahyupurwanto@gmail.com Orcid: https://orcid.org/0000-0002-4640-1876
The management of human resources is crucial in managing companies. The company realizes that the most crucial resource is human capital in developing the company. One of the
crucial elements in the business is the human resources. For this reason, the management of human resources must be effective in order to improve the efficiency and effectiveness of the organization (Ferawati, 2017; Haryanti, 2017; Saleh, Assery, Sabihaini, & Suryaningsum, 2017).

The company's leadership approach will have an effect on employee job satisfaction. A good impression is job satisfaction regarding the results of work based on an assessment of its qualities. A person who is highly satisfied in their profession feels good about it, whereas someone who is not satisfied with their employment feels negatively (Assery, Tjahjono, Palupi, & Dzakiyullah, 2020; Auerin, Djaelani, & Millaningtyas, 2021; Hidayati, 2014).

There are many ways that companies do in improving the performance of their employees. One of them is by strengthening the leadership factor in the company. Leadership in an enterprise determines the pace of an enterprise. Employee performance in a corporation is significantly influenced by leadership, such as how managers build rapport with staff members, how they recognize and reward excellence, how they develop and empower employees. A successful leader is when that leader can be a driving force for his or her bring (Jufrizen & Lubis, 2020; Pradana, 2013).

Among the leadership styles that can impact a worker's performance is the transactional leadership style (Suyoto & Tannady, 2022; Veiga & Su, 2023). Transactional leadership styles are leaders who instruct or inspire their subordinates who are directed toward the objectives that have been set by carrying out the required roles and tasks. In transactional leadership the leader and members act as bargaining actors in an exchange process involving rewards and punishments. Furthermore, in addition to transactional leadership, there is a transformational leadership style that also has the ability to influence employee performance. A transformational leadership style that further instills moral values and motivation into them in an effort to increase their understanding of moral concerns and move them forward to move the company forward (Lumentut & Dotulong, 2015; Pradana, 2013).

In addition to leadership factors, employee performance improvement can be supported by disciplinary factors at work. Discipline is beneficial for training staff to follow and enforce existing regulations, techniques and guidelines to ensure quality performance. Because so many things can affect discipline, maintaining and enhancing it can be challenging. Sometimes the primary reason for disciplining employees is their ignorance of the rules, procedures, and policies that are in place (Assery, Tjahjono, Sobirin, & Hartono, 2017; Sumarti & Rahardian, 2019).
A more thorough investigation is required, and this problem is highly intriguing to be researched. At the novelty level, it is essential to possess an analysis for examining the effect of leadership, discipline, satisfaction, and performance in Indonesian business context.

The distinctions from earlier research are need to be explored due to problem on managing Job Performance by enforcing antecedents. The main problem is detailed into several research questions: is there a direct effect of transactional leadership on job performance, transformational leadership on job performance, work discipline on job performance, job satisfaction on job performance, transactional leadership on job satisfaction, transformational leadership on job satisfaction, work discipline on job satisfaction?

LITERATURE REVIEW

Job Performance

Performance is the worth of a collection of employee actions that either positively or negatively affect the achievement of company objectives. performance indicators are as follows: Quality, where the final result achieved is in accordance with the provisions of the company. This indicator is measured from the respondent's perception of an employee who works according to employee procedures. Quantity, number of work units according to the targeted. This indactor is measured from the respondent's perception of an employee whose work results are in accordance with the company's target. Timeliness, completion of tasks in a timely manner. This indicator is measured from the respondent's perception of an employee who is punctual in the performance of his duties (Robbins & Judge, 2013).

Job Satisfaction

Employment satisfaction is the general attitude a person has toward his or her job. A high level of satisfaction reveals a person's favorable attitude about his employment. On the other hand, somebody feels unsatisfied at work indicates a gloomy outlook on his employment. Job satisfaction as a positive or a person's positive emotional state as a result of the assessment of an experience or work assessment. there are several indicators that affect job satisfaction (Robbins & Judge, 2013), including: a. Compensation payments, remuneration systems and promotion policies that are fair, unambiguous and as expected are likely to result in satisfaction. b. The work itself, which is work that when done gives employees the opportunity to use their abilities and skills. c. Coworkers, coworkers fill the need for social interaction while at work. d. Promotion, when employees are promoted employees generally face demands and skills, abilities and responsibilities. e. Supervision (supervision), the act of supervision is crucial in
management. Employees are immediately affected by supervision, which has an impact on how they carry out their task.

Job performance was positively related to overall job satisfaction including satisfaction with the work itself, supervision, relationships at work, pay, promotion opportunities, and working conditions (Al-Ahmadi, 2009; Rosita, 2017). Changgriawan (2017). Additionally, it was discovered that job happiness had a considerable favorable impact on job performance. Job performance will increase if employees have maximum satisfaction with the work they do (Changgriawan, 2017; Purnama, Tjahjono, Assery, & Dzakiyullah, 2020). From the description above, the hypothesis is is: **Job satisfaction has a positive effect on job performance.**

**Transactional Leadership**

Transactional leadership of leaders who instruct or inspire their subordinates who are directed by outlining the necessary roles and tasks, toward the objectives established. Transactional leaders are those that motivate or direct their followers toward predetermined goals by outlining the specifics of assigned duties and responsibilities. Transactional leader has the following characteristics: Contingen reward, Contract for the exchanging benefits for work, promising prizes for performance excellence, knowing settlement. Administration by exception, Observing and searching for diviation of rules and standards, performs corrective actions. Administration by exception, Interference is only carried out when the standard is not achieved. Laissez-Faire, Disclaiming responsibility, avoiding making decisions (Robbins & Judge, 2013; Yukl, 2010).

Transactional leadership is a leadership style model by focusing on achieving goals or objectives, but does not seek to develop the responsibility and authority of subordinates for the progress of subordinates. Transactional leadership has a big impact on how well employees perform (Hoxha, 2019; Jufrizen & Lubis, 2020). The research is also supported by the results concluding that performance is affected by transactional leadership (Oktora, Rizan, & Situngkir, 2018; Tri, Al Musadieq, & Sulistyo, 2018). From the description above, the hypothesis is **Transactional leadership has a positive effect on job performance.**

Transactional leadership improves job satisfaction. The results of the study had a notable beneficial impact on staff satisfaction (Aqmarina, Utama, & Prasetya, 2016; Siswanto, Masyhuri, Maksum, & Murdiansyah, 2020). Good leadership in a company will make employees feel comfortable and enthusiastic in doing their duties. From the description above, the hypothesis is **Transactional leadership has a positive effect on job satisfaction.**
Transformational Leadership

Each follower's requirements for growth and attention are given special attention by transformational leaders, who also help followers see old problems from new angles and can enthuse, energise, and encourage followers to work harder to accomplish group objectives. An effective leader is one who motivates and inspires their team members to achieve great things. Making followers more conscious of the significance of a job's results is one way transformational leaders try to transform and encourage their followers, ask individuals to put the interests of the team ahead of personal interests, change the extent to which subordinates' demands are met or the scope of those needs (Robbins & Judge, 2013; Yukl, 2010).

There was a significant positive effect between transformational leadership on job performance. The results supported by research which concludes that transformational leadership style has a significant positive effect on job performance (Herdiyanti & Assery, 2021; Kharis, 2015). From the description above, the hypothesis is Transformational Leadership has a positive effect on job performance.

Although there is no correlation between transformational leadership and overall job happiness, there is a strong and positive correlation with satisfaction with leaders, while transactional leadership has an insignificant relationship with job satisfaction. There was a significant positive effect of transformational leadership on job satisfaction (Judge & Bono, 2000). From the description above, the hypothesis is Transformational leadership has a positive effect on job satisfaction.

Work Discipline

Work discipline is a form of education that aims to better and mold an employee's knowledge, attitudes, and behavior so that they voluntarily attempt to work with other employees and get better at their work performance. One of the crucial elements in any organization is discipline, because discipline will affect the performance of employees in the organization. Indicators of work discipline, namely as follows: Always be present on time, this indicator is measured from the respondent's perception of the accuracy of attendance coming to the office Always obey the provisions of working hours or not leaving the office during working hours. Having a high morale, this indicator is measured from the respondent's enthusiasm of the employee as perceived in completing his job responsibilities (Baldwin-Evans, 2006).
There was a significant positive influence between work discipline on employee performance (Ferawati, 2017). From the description above, the hypothesis is *work discipline has a positive effect on job performance.*

There was a significant positive effect of work discipline on job satisfaction (Lumentut & Dotulung, 2015). There is a significant positive effect of work discipline on job satisfaction (Afianto & Utami, 2017). From the description above, the hypothesis is *work discipline has a positive effect on job satisfaction.*

**MATERIAL AND METHODOLOGY**

The methodology used in this study was a predictive quantitative technique by proposing a quantitative predictive model to calculate, analyze, and test all hypotheses related. There are 5 variables in the Research Model. The independent variable is Job Performance (Performance). The Dependent Variables are Transactional Leadership (Transactional), Transformational Leadership (Transform), Work Discipline (Discipline), and Job Satisfaction (Satisfaction) as a mediating variable. Each variable is latent and will be measured through several indicators that reflect the variable. The scale that will be used is a 5-point Likert scale.

Data collection is using a survey questionnaire which was developed based on a set measure for all variables and submitted electronically to 100 respondents and completely usable responses is 100% which are in line with the study. Data analysis is using Partial Least Square smartPLS. Inductive Statistics is performed using Variance-Based Structural Equation Modeling. Path analysis uses Partial Least Square (PLS) which consists of 3 relationships. First, the Outer-Model which specifies the relationship between latent variables and their indicators (measurement model). Second, the Inner-model that determines the relationship between latent variables (structural model). And the three weights in assessing the latent variables to be estimated

Validity refers to the extent to which the accuracy and accuracy of a measuring instrument can measure a construct. Calculation of construct validity was assessed with convergent validity and discriminant validity. Reliability refers to the internal consistency between indicators of a construct that shows the extent to which each indicator shows the same latent factor. Calculation of reliability will be assessed using Cronbach's Alpha and Composite Reliability (Ringle, Wende, & Will, 2015).
RESULTS AND DISCUSSION

Outer Model Evaluation (Measurement Model)

The evaluation of the measurement model or outer model uses the PLS Algorithm statistical calculation to assess the validity of each indicator. Figure 1 illustrates the value of convergent validity or outer loading on each indicator. The calculation results of the algorithm are as follows in Figure 1.

![Figure 1. PLS Algorithm Output](source: Prepared by the authors (2022))

Based on Table 1, it is considered that all variables have met the reliability requirements based on Cronbach’s Alpha, Composite Reliability, and Average Variance Extracted.

<table>
<thead>
<tr>
<th>Variables Code</th>
<th>Cronbach Alpha</th>
<th>Composite Reliability</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discipline</td>
<td>0.845</td>
<td>0.911</td>
<td>0.774</td>
</tr>
<tr>
<td>Performance</td>
<td>0.873</td>
<td>0.908</td>
<td>0.664</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.843</td>
<td>0.888</td>
<td>0.614</td>
</tr>
<tr>
<td>Transaction</td>
<td>0.886</td>
<td>0.918</td>
<td>0.693</td>
</tr>
<tr>
<td>Transform</td>
<td>0.830</td>
<td>0.879</td>
<td>0.593</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors (2022)

Thus, all indicator items have met the validity requirements and all variables have met the reliability requirements and R square is 0.796 on Job Performance meanings above 0.35 then the model is declared strong enough and can be continued for hypothesis testing by bootstrapping on SmartPLS menu.
**Inner Model Evaluation (Structural Model)**

On the basis of Table 2, it is clear that the results of hypothesis testing are as follows. There is a positive direct effect of transactional leadership to job satisfaction and job performance. A favorable direct effect is present of transformational leadership to job performance but not to job satisfaction. There is a positive direct effect of work discipline to job satisfaction but not to job performance.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Original</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discipline =&gt; Performance</td>
<td>0.049</td>
<td>0.601</td>
<td>0.548</td>
</tr>
<tr>
<td>Discipline =&gt; Satisfaction</td>
<td>0.219</td>
<td>2.859</td>
<td>0.004</td>
</tr>
<tr>
<td>Satisfaction =&gt; Performance</td>
<td>0.345</td>
<td>3.401</td>
<td>0.001</td>
</tr>
<tr>
<td>Transaction =&gt; Performance</td>
<td>0.291</td>
<td>2.112</td>
<td>0.035</td>
</tr>
<tr>
<td>Transcational =&gt; Satisfaction</td>
<td>0.568</td>
<td>4.376</td>
<td>0.000</td>
</tr>
<tr>
<td>Transformation =&gt; Performance</td>
<td>0.279</td>
<td>2.384</td>
<td>0.018</td>
</tr>
<tr>
<td>Transformation =&gt; Satisfaction</td>
<td>0.194</td>
<td>1.449</td>
<td>0.148</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors (2022)

Based on Table 3, that Job Satisfaction mediates the beneficial impact of Transcational Leadership to Job Performance and Work Discipline to Job Performance, but not increases the favorable impact of Transformational Leadership to Job Performance.

<table>
<thead>
<tr>
<th>Mediation Calculation</th>
<th>Original</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discipline =&gt; Satisfaction =&gt; Performance</td>
<td>0.076</td>
<td>2.565</td>
<td>0.011</td>
</tr>
<tr>
<td>Transaction =&gt; Satisfaction =&gt; Performance</td>
<td>0.196</td>
<td>2.481</td>
<td>0.013</td>
</tr>
<tr>
<td>Transformation =&gt; Satisfaction =&gt; Performance</td>
<td>0.067</td>
<td>1.211</td>
<td>0.227</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors (2022)

Company leaders should be able to strengthen working relationships between individuals both within and around the business in order to create a conducive work environment to improve job performance. The company leadership should monitor the work of each individual and continue to track whether or not there are errors that occur in the work so that employees get good job satisfaction. The business should be able to develop employee work discipline to be better than before by still paying attention to the existing rules in the company regarding discipline and adding some new rules in the form of strict sanctions against employees who are not disciplined, especially those related to punctuality when working. Companies should be able to provide good job satisfaction to employees by providing constructive direction and advice so as to improve employee performance. Business executives ought to be competent to provide encouragement to employees with innovative suggestions so
that they can feel satisfaction at work and can improve their performance. The company should provide more opportunities for promotion to the company so that employees are more zealous when working so that they can improve their performance.

CONCLUSION

There is a positive direct effect of transactional leadership to job satisfaction and job performance. There is a positive direct effect of transformational leadership to job performance but not to job satisfaction. There is a positive direct effect of work discipline to job satisfaction but not to job performance. Job Satisfaction mediates the positive effect of Transactional Leadership to Job Performance and Work Discipline to Job Performance, but not mediates the positive effect of Transformational Leadership to Job Performance.

Limitation of this study was conducted in a small area in a short time and a small sample. Future research should be carried out in a wider area with a larger sample size and use the mixed method to be able to find clearer results.

REFERENCES


https://doi.org/10.12737/4477


