

## **Influence of Transformational Leadership and Job Promotion towards Working Motivation and Performance of Employees in UMKM banks in East Java, Indonesia**

Rakhmat Agung Eka Putra<sup>\*</sup>, Taher Alhabsji, Arik Prasetya

*Master's Degree Program in Business Administration, Faculty of Administrative Science, Universitas Brawijaya, Indonesia*

*Corresponding Author: Rakhmat Agung Eka Putra*

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**ABSTRACT:** The objectives of the study are to describe and gain information on the influence of transformational leadership and job promotion towards working motivation and performance. The study is categorized as survey. The sampling technique was purposive sampling technique. Data collection method was distributing questionnaire. Data analysis method was the path analysis. The total respondents were 36 respondents. The findings indicate that (1) transformational leadership has positive and significant influence towards working motivation; (2) job promotion does not have positive, significant influence towards the working motivation; (3) transformational leadership does not have significant influence towards working performance; (4) job promotion does not have significant influence towards working performance; and (5) working motivation does not have significant influence towards the working performance.

**Keywords:** Transformational Leadership, Job Promotion, Working Motivation, Working Performance

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### **I. INTRODUCTION**

UMKM banks in East Java have 32 branches located in various cities in East Java Province. Besides that, the banks have 109 cash service centers and 10 payment point. Until recently, the East Java UMKM banks in Gresik have had 4 cash service centers, ones in Tuban have had 2 cash service centers and 2 payment point, while those in Tulungagung have had 8 cash service centers and 1 payment point. These branches, ones in Gresik, Tuban and Tulungagung, had yet been able to meet their 2015 credit disbursement target. At the same time, the UMKM banks of East Java made some staffing change in the three branches, promoting some people to higher position. Unfortunately, their performance worsened ever since. Therefore, the researchers were interested in conducting a study in UMKM banks of East Java more particularly the Gresik, Tuban and Tulungagung branch of the banks.

### **II. LITERATURE REVIEW**

Transformational leadership is type of leadership that exceeds ordinary expectations by developing sense of mission, stimulating the learning experience, and inspiring new mindsets. Transformational leadership is type of leadership that encourages employees to change and be dynamic. The characteristics of transformational leadership are charismatic, inspirational, intellectual stimulation and individual attention. These are the four sub-variables of transformational leadership. Promotion can be interpreted as a process of change from a job to another in the hierarchy of authority and responsibility higher than those given to an employee previously.

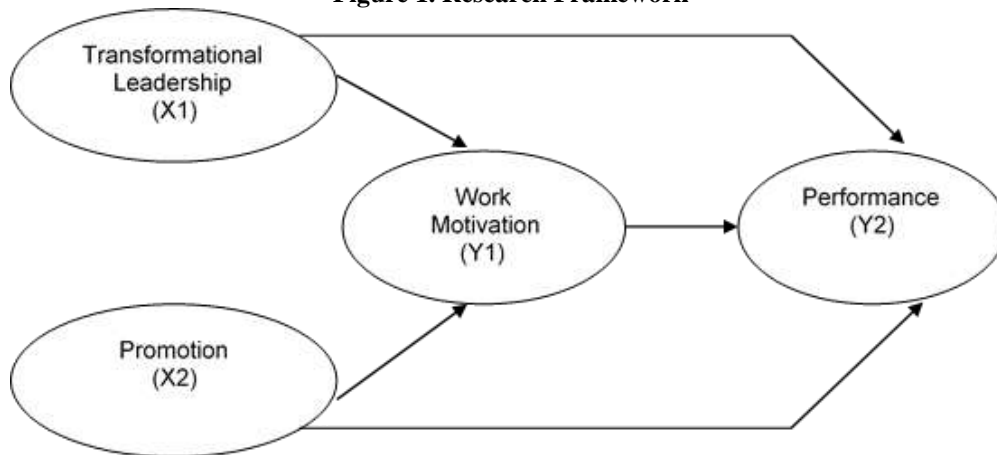
Promotion means to assign more assignment, responsibility and authority to employees. In other words, promotion is to transfer employee to a higher position. Job promotion has several indicators, namely loyalty, qualification, achievement, performance, initiative and creativity, honesty and positive attitude.

Motivation of work can be defined as a process that plays a role in intensity, direction, and time an individual gives to achieve his or her goals. In addition, working motivation is force that encourages an individual to perform an action or not to perform an action. There are two types of motivation, internal and external motivation. Furthermore, motivation can be positive or negative; therefore, managers play significant role to maintain employee's working motivation. In this context, working motivation refers to things that can encourage employees to achieve their desired goals. There are two aspects of working motivation,

characteristics and nature of the working motivation. These may increase working motivation such as need for power, need for rewards, and need for relationships. These three are the sub-variables of working motivation.

Hamzah (2014: 87) states that performance evaluation is a process that measures performance of an individual. During the evaluation, individual performance is contrasted to various possibilities, e.g certain standard, target/ objectives, or criteria that have been established in advance and mutually agreed upon. Performance evaluation is one of the fundamental functions of human resource department and sometimes called performance reviews, employee appraisals, or human resource ratings.

**Figure 1. Research Framework**



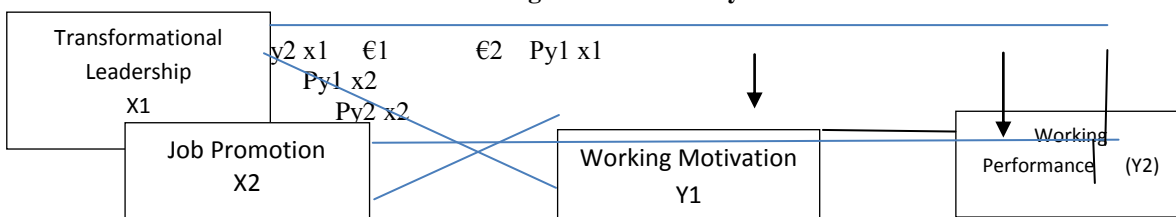
**III. RESEARCH METHOD**

The study was categorized as survey. The sampling technique was nonprobability sampling and the total population was 36 people.

Sugiyono (2012: 147) explains that descriptive statistics are statistics analysis used to analyze data by describing or elaborating data as they are without any intention to draw conclusions that apply to the public or generalizations. Descriptive statistics can be used if researcher’s objectives are to describe data from sample he or she collected previously, and does not wish to draw conclusions that apply to population in which the sample is taken.

Path Analysis (PA) is relationship between independent, intermediate or dependent variables that frequently presented in the form of a diagram. Within the diagram, there are arrows representing influence between the exogenous, intermediary variables and the dependent variable. How thick the arrows are determines how much influence the relationship between variables has. Path analysis is exclusively multiple regression with the variables.

**Figure 2. Path Analysis**



**Figure 4.1 Path Analysis Chart**

**IV. FINDINGS AND DISCUSSION**

Based on the data analysis, the Gresik, Tuban and Tulungagung branches of East Java MSME Bank employees had experienced implementation of the transformational leadership at work. It corroborated with Suwatno (2011:159) that transformational leadership is a type of leadership that is co-ordinating, directing, and influencing. Transformational means changing something into another, different form, for example turning vision into reality. Transformational leadership brings positive impact towards company.

Based on the questionnaire, the average score of transformational leadership was 3.24. Questionnaire item that scored the highest was x1.2 (inspiring score of the employees), while one that scored the lowest was item x1.6

(mentoring employees). Based on the questionnaire, the managers of these three branches of East Java MSME bank were able to become inspirational figures for their employees but they had yet been able to mentor them.

The job promotion in the three branches had significant influence towards the employees. It is in line with Ardana (2012:106) that promotion can be interpreted as change from a job to another job with higher authority and more responsibility. The average score of 11 items in the questionnaire was 3.01. The item with the highest score was item x2.6 (performance that exceeds expectation), while the ones with the lowest score were item x2.4 and x2.11 (ability to make friends with colleagues/ co-workers). Based on the scores, job promotion encourages the employees to work harder in order to exceed the managers' expectation. However, the employees had yet been able to make friends with their co-workers (reserved).

In terms of working motivation, the Gresik, Tuban and Tulungagung branches of East Java MSME Bank employees were well-motivated at work. They were encouraged to work in order to achieve their goals. It corroborated to Mc Clelland's theory of need that there are three parts of need affecting motivation, need for achievement, need for power, and need for relationship with others.

The average score of the 4 questionnaire items related to working motivation was 3.07. The item with the highest score was item y1.4 (maintaining good relationship with co-worker) and one with the lowest score was item y1.3 (willingness to control and influence). It means that working motivation enables the branch managers to maintain good relationship with the employees and work together with them. However, these managers have yet been able to control or influence their employees to meet the target of the company.

The study reveals several issues the Gresik, Tuban and Tulungagung branches of East Java MSME Bank encountered. Based on John Milner's theory, working performance is measured based on quality, quantity and how much time employees allotted to work.

The average score of 5 questionnaire items related to working performance was 3.28. The item with the highest score was item y2.4 (outcome) while the one with the lowest score was y2.2 (being careful at work). It means the bank employees were able to meet the target their managers had given to them but they were not careful in finishing their work.

## **V. CONCLUSION AND SUGGESTIONS**

### **1.1. Conclusion**

Based on the analysis, the conclusions are as follows:

[1] Transformational leadership has positive and significant influence towards working motivation of the employees. Transformational leadership, more particularly inspirational transformational leadership in the Gresik, Tuban and Tulungagung branches of the East Java UMKM banks is categorized as good but individual attention should be improved.

[2] Job promotion has positive, insignificant influence towards working motivation pegawai. The job promotion system has yet been able to motivate the employees of the Gresik, Tuban and Tulungagung branches of the East Java UMKM banks to work well. Therefore, job promotion is categorized as poor.

[3] The transformational leadership has positive, yet insignificant influence towards the working performance of the Gresik, Tuban and Tulungagung branches of the East Java UMKM banks employees. The transformational leadership applied in these branches has yet been able to improve their employees and as the consequence, working performance is categorized as poor.

[4] The job promotion system the Gresik, Tuban and Tulungagung branches of the East Java UMKM banks has positive impact, but does not have significant influence towards the working performance of their employees. In other words, the employees of these branches are not motivated to increase their performance despite of the promotion.

[5] The Gresik, Tuban and Tulungagung branches of the East Java UMKM banks employees have low working motivation. Their employees have yet been able to achieve the target given to them and as the consequence, the three branches are categorized as poor. The finding is at the opposite of Herzberg's theory that one of the good working performance indicators is motivational involving individual's job, achievement, room for improvement, promotion and reflection. The bank employees inability to meet their target indicated that they have yet had strong motivation at work.

### **6.2 Suggestions**

Based on the descriptive analysis result, the suggestions the researcher would give are as follows:

[1] Based on the descriptive analysis, transformational leadership applied the Gresik, Tuban and Tulungagung branches of the East Java UMKM banks is categorized as good. It can be seen based on how much positive impact the leadership system has caused. Therefore, it is suggested that the branches keep the system (transformational leadership).

[2] It is suggested that East Java UMKM banks emphasized on transparency as the basis for job promotion. All employees should have clear information about criteria, requirements and assessment for promotion. It is

expected that transparent job promotion increases the employees' working motivation and improves their working motivation. Highly motivated employees and good working performance have positive impact towards the future of the East Java UMKM banks.

[3] Besides maintain the leadership style and conducting transparent job promotion system, it is suggested that the banks conduct another means of evaluation and establish reward system to increase their employees' motivation and performance. Motivated and qualified employees will have good working performance.

[4] The East Java UMKM banks should have transparent job promotion system. They should announce clearly schedule, requirements and criteria for job promotion to all employees. Having sufficient knowledge about job promotion system in the banks, it is expected that employees have higher motivation and better working performance.

[5] The East Java UMKM banks should conduct various programs of which purpose is to increase their employees' motivation, such as incentive, raise and rewards. Job promotion has yet become effective means to increase the bank employees' motivation and working performance. Fahrizal (2013) states that job promotion means assigning more responsibilities, better skills and higher salary or incentive. As an addition, Pujianto (2013) argues that job promotion is a goal each employee has dreamed of. Job promotion means assigning an employees to a better station (one with higher position) and therefore, the employee will get higher salary and be more prosperous financially.

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