The Effect of Transformational Leadership on Employee Performance Mediated by Leader-Member Exchange (LMX)

Fatin Fadhilah Hasib[1], Anis Eliyana[1], Zainal Arief[2], Anisa Army Pratiwi[1]

[1]Universitas Airlangga, Indonesia
[2]Universitas 17 Agustus 1945, Indonesia, PT Usaha Mulia Digital Indonesia (PT UMDI)

Corresponding Author: Anis Eliyana   **Email**: anis.eliyana@feb.unair.ac.id

ABSTRACT

This study focuses on transformational leadership as the basis for a positive relationship between superiors and subordinates. Then, the perception of lead member exchanges is also examined concerning improved performance. This study uses a quantitative approach and the data in this study were obtained through observation and distribution of questionnaires to all employees at the Surabaya City Culture and Tourism Office. The population in this study was 45 employees of the Surabaya City Culture and Tourism Office, and the sampling method used in this study was random (random) sampling. The data testing technique used in this study was SEM-PLS or partial least square and Sobel Test to test the mediation effect of the LMX.

INTRODUCTION

The government makes personnel management as stipulated in Law Number 43 of 1999, to facilitate the government to manage the performance of civil servants. In Law Number 43 of 1999 article 1 paragraph 1, it is stated that a civil servant is every citizen of the Republic of Indonesia who has met the stipulated requirements, is appointed by an authorized official and assigned to a government office, or assigned to other state duties, and is paid according to regulations. current regulation. Based on the contents of the article, it is explained that civil servants are authorized and responsible for carrying out state tasks given by the government. Human resources are the key to an agency's success in achieving its expected vision, mission, and goals.

Concerning achieving the expected vision, mission, and goals, one aspect that needs to be considered is improving the quality of employees by improving their work methods so that they can carry out their duties properly and optimally. Performance is a stage of achievement in completing a particular job or a work achievement carried out by individuals from the organization (Eliyana *et al.,* 2019). In a review of performance appraisal research, Selvarajan *et al.,* (2018) also suggested that the ultimate goal of performance appraisal is to motivate employees to improve their performance. Employee performance is an individual's capacity to achieve independent goals efficiently (Kalsoom *et al.,* 2018) or the productivity level of an employee compared to work-related peers (Buil *et al.,* 2019). The performance achieved by employees will refer to the right quality of work and can lead to indicators of economic development.

For human resources in an organization to work efficiently and effectively, the right leader is needed to influence, manage and mobilize employees, as well as to adapt to changes that occur inside and outside the company. Transformational leadership is considered to have an important role in shaping effective management because transformational leadership can encourage positive employee behavior (Buil *et al.,* 2019). Transformational leadership can also create significant changes for followers and organizations because it can change the strategy,

mission, structure, and culture of the organization to promote a product and work innovation (Mustika *et al.,* 2020). The extent to which the leader advances the development of the company and understands the role of employees or subordinates can be seen in how the company or organization runs.

Transformational leadership in organizations is known to have two perspectives, the first is a leader perspective that explains individuals and groups by directly identifying and testing leader behavior (Bass in Wang & Law, 2005). The second perspective is a relationship-based perspective that focuses on the reciprocal relationship between leaders and employees, and an approach that fits this perspective is called the LMX (LMX). The leadership theory used in this study refers to leadership which has three domains, namely Leader (L), followers or Member (M), and relationships or Exchange (X), which is then called LMX (Eliyana, 2015). LMX (LMX) is a concept that pays attention to the quality of the relationship between subordinates and supervisors in the work environment where leaders can build relationships at varying intensities with members in their workgroups (Lee, 2020). The Surabaya City Culture and Tourism Office is one of the Surabaya City Government agencies that adopt this leadership style. The tourism office functions as a source of income and an indicator of economic development in the real sector, which can increase regional income and make the city of Surabaya a tourist destination that is dignified and has artistic charm and is based on religious and welfare values, as well as cultural uniqueness. To carry out this function, the Surabaya City Cultural Tourism Office needs the best performance support from its employees.

Within the Department of Culture and Tourism, there is a secretariat and four fields that adopt a transformational leadership style for its staff, namely the Department of Tourism Destinations, Culture, Tourism Promotion, and the Tourism Industry. This leadership style is seen from the secretariat and all field leaders who have the characteristics of transformational leaders who are charismatic, inspirational, focused on intellectual stimulation and concerned with employees.

The transformational leadership style will have a positive impact on the relationship between the leader and his staff. This will also have an impact on employee performance in completing annual work goals, which are always carried out according to a planned schedule, such as the implementation of the annual Surabaya city anniversary.

LITERATURE REVIEW
Theory Basis
Transformational Leadership
Transformational leadership is one of the leadership styles that is more effective in encouraging positive behavior for the extra roles of employees (Buil *et al.*, 2019). Transformational leadership can also create significant change for followers and organizations, by directing changes in the strategy, mission, structure, and culture of the organization to promote a product and job innovation (Mustika *et al.*, 2020). Besides, according to Bastari *et al.* (2020) transformational leadership is based on the principle of subordinate development. Through this leader, the company will evaluate the ability and potential of each subordinate to carry out their duties/jobs, and at the same time will see the possibility to expand the responsibility and authority of subordinates in the future. Transformational leadership style includes four main components (Idealized Influence), namely charisma because by making followers admire them the leader can instill confidence and motivation in followers; Inspirational motivation or the ability of transformational leaders to inspire followers by generating enthusiasm; Intellectual stimulation or a characteristic in which the leader will try to encourage his followers towards creativity and innovation; and finally Individual consideration means that the leader will act as a coach and mentor in paying attention to the needs and feelings of their followers (Bass quoted by Kalsoom *et al.*, 2018).

LMX
The leadership theory used in this study refers to leadership which has three domains, namely Leader (L), followers or Member (M), and relationships or Exchange (X), which is then called LMX (Eliyana, 2015). LMX (LMX) is an activity that pays more attention to the quality of the relationship between subordinates and supervisors in the work environment as a dyadic relationship-based approach that emphasizes the relationship between leaders and followers, where leaders can build relationships at varying intensities with members in their workgroups (Lee, 2020). LMX (LMX) is characterized by a high level of responsibility, high decision influence, and access to high resources which are important for a distributed subordinate team (Wong & Berntzen, 2019). In addition, according to Selvarajan *et al.*, (2018) the LMX theory shows that in a positive leader-subordinate relationship there is a sense of obligation on the part of subordinates to respond in the same way positively as how they are treated by their superiors. In assessing the quality of LMX, it is known that subordinates are seldom asked to express their leader's expectations of them. An employee with a high-quality LMX is also known to feel obliged to contribute to the progress of his leadership agenda and to do work at a higher level of difficulty. As a result, these employees will dedicate more time and energy than their colleagues who have lower quality LMXs (Eliyana, 2015).

Employee Performance
Performance appraisal is considered a tool for managing employee performance effectively (Selvarajan *et al.*, 2018). Performance is a stage of achievement in completing certain work carried out by individuals from the organization (Eliyana *et al.*, 2019). In a review of performance appraisal research, Selvarajan *et al.*, (2018) also argued that the ultimate goal of performance appraisal should motivate employees to improve their performance. Employee performance is an individual's capacity to achieve independent goals efficiently (Kalsoom *et al.*, 2018) or as an employee's productivity level compared to peers on several work-related behaviors and outcomes (Buil *et al.*, 2019). Employee performance can also be said to be the result of an employee's work for a certain period compared to various possibilities, such as standards, targets, or criteria that are determined and agreed upon with the company, and also employee performance is a factor that can affect organizational profitability (Muzakki *et al.*, 2019).

Hypothesis Development
Transformational Leadership and Employee Performance
Employees in the workplace will need different levels of support based on the goals they are aiming for and working on. A transformational leader will realize this and produce customized support tools such as mentoring, counseling, and coaching to help followers or employees (Mittal & Dhar, 2015). According to Buil *et al.*, (2019) work performance provides organizational benefits that come from transformational leadership. Transformational leaders will encourage followers to address their own interests, set high-performance standards, and also provide feedback, as well as help followers to be more creative and innovative, and pay attention to the needs of followers (Bass cited by Buil *et al.*, 2019). That way, transformational leaders will motivate followers to achieve performance that exceeds expectations by changing followers' beliefs, attitudes, and values, which in turn will provide transformational leader results that can improve employee performance.

Nahavandi (2002) quoted by Kalsoom *et al.*, (2018) also states that leadership is one of the managerial qualities of an organization that effectively affects organizational performance and success. Among the various types of leadership, transformational leadership has been seen to be highly associated with employee performance (Kirkman *et al.*, 2009; Liang & Steve Chi, 2013; Piccolo & Colquitt, 2006). In contrast to the research of Prabowo *et al.*, (2018) which states that the potential for Transformational Leadership in encouraging employee performance has no effect. Transformational leadership is not merely directive, it is also related to follower performance and development for them. These leaders will create a strong relationship between followers and themselves by increasing their morality to be able to manage the organization by motivating, inspiring, and empowering their employees to produce organizational success through their performance (Kalsoom *et al.*, 2018). It can also influence followers to produce good quality work which can lead to indicators of economic development. Also, transformational leaders will pay attention to each employee with different needs under different professional backgrounds and will also provide opportunities for employees to develop in a sustainable

manner (Jiang *et al.*, 2017). That way, all of these behaviours will be beneficial for the ongoing performance of the relationships that employees feel.

Transformational Leadership and LMX

The leadership role has been considered important to better facilitate employees in an effective team (Eubanks *et al.*, 2016). Because leaders are required to be able to build trust and relationships with their followers without physical closeness (Hoch & Dulebohn, 2017). This will be relevant to a high-quality relationship between a leader through a LMX (LMX) which is characterized by decision influence, a high level of responsibility, and access to resources (Wong & Berntzen, 2019). According to Waglay *et al.*, (2020), a strong theoretical relationship between transformational leadership theory and LMX theory is that transformational leadership can be described as an operational form of LMX. Employees or followers with high-quality relationships with their leaders will have greater reciprocity and more open and respectful communication. Because according to Bastari *et al.*, (2020) transformational leadership is based on the principle of subordinate development. Through a transformational leader, the company will evaluate the ability and potential of each subordinate to carry out their work, and at the same time will see the possibility to expand the responsibilities and authority of subordinates in the future. That way, a good relationship will be formed between followers and leaders through LMXs in a company. The empathy shown by a leader to their followers is a form of mutual trust and exchange (Aradilla-Herrero & Tomás-Sábado, 2011). And that is a clear prerequisite for leaders to understand which followers they can have empathy for them.

Several studies have also examined the relationship between transformational leadership and LMXs (Wong & Berntzen, 2019; Boer *et al.*, 2016). H. Wang *et al.*, (2005) also stated that transformational leaders maintain high-quality leader exchange members because their charismatic attractiveness makes employees more receptive to interactions. Conversely, LMXs may be needed for the impact of transformational leadership to fully emerge (Fenwick *et al.*, 2019). That way, transformational leadership can be 'personalized' through individual exchanges that build LMXs. It is known that LMX will be closely related to the central principles of transformational leadership, the core arena of transformational leadership theory is the empowerment of followers in a way that produces a conscious change in individuals or groups (Aradilla-Herrero & Tomás-Sábado, 2011). Hence, it can be concluded that an effective leadership process occurs when leaders and followers can develop mature leadership relationships. Such as the process of the influence of transformational leaders on leader-employee interactions (LMX).

LMX and Employee Performance

High-quality exchange leader members will indicate that the relationship between managers and employees is imbued with respect, trust, encouragement, and mutual influence, while low-quality exchange leader members will show rather rigid interactions, one-way (manager-employee) influence, and partial support (Chernyak-Hai & Tziner, 2014). Based on the LMX theory, employees who have a good working relationship with their superiors are seen as more likely to have greater job satisfaction, decreased levels of intention to leave, and higher

productivity which leads to increased performance (C. J. Wang, 2016). This can occur through a series of exchanges between leaders and followers, which may offer empowerment to followers and then can offer a strong organizational commitment to achieve better performance (C. J. Wang, 2016). LMXs have also been used as one of the main theories to help understand managerial behavior and influence employee motivation in various aspects of organizational performance (Lee, 2020).

According to Masterson *et al.*, (2000), the underlying mechanism concerning motivation to improve performance is the perception of LMX. From a leadership perspective, the LMX is defined as the quality of exchange between supervisors and subordinates which is suggested to be an important source of motivation to improve performance (Selvarajan *et al.*, 2018). This can happen because in a high-quality LMX, the leaders will be ready to offer full support and broad growth opportunities to their subordinates, and this is a factor that can significantly contribute to improving performance. The dynamics of the performance appraisal process will also involve the exchange of daughters between supervisors and their subordinates, and thus, can potentially affect the quality of the exchange leader members as subordinates who can fairly evaluate the process.

LMX mediates Transformational Leadership to Employee Performance

The basis of transformational leadership in an organization is the interaction between leaders and followers (LMX). On the other hand, transformational leaders will play a pioneering role in the development of LMXs. This will clarify long-term goals, utilize the talents and skills of followers, and increase their self-confidence (Kara, 2019). Transformational leadership will reflect the individual thinking of followers, in ensuring the recognition of their wants, abilities, and needs. Through the responsiveness of transformational leadership to followers, it will bring final satisfaction with the task at hand (Braun *et al.*, 2013) such as better performance results. Being a leadership style that encourages and supports followers by creating a LMX, will reach its potential and will motivate followers to continue to improve their performance and excel (Kammerhoff *et al.*, 2019). A high-quality LMX relationship will include characteristics such as high levels of mutual trust, proper interaction, and support, as well as a high level of reciprocity in which both parties contribute resources that are valued by the other (Schyns & Day, 2010). Such high-quality relationships are important because LMXs are known to predict performance in various settings and conditions (Martin *et al.*, 2016). The relationship between transformational leadership can be described as a form of operation of the creation of LMX. Through respect and mutual obligation from this relationship will lead to a relationship between the leader and follower, which in turn will have an impact on the follower's performance (Aradilla-Herrero & Tomás-Sábado, 2011). It is also supported by Fenwick *et al.*, (2019) that transformational leadership theory and LMX (LMX) theory, two of the most influential theories in business and management literature, can also describe how leadership affects the team and employee performance.
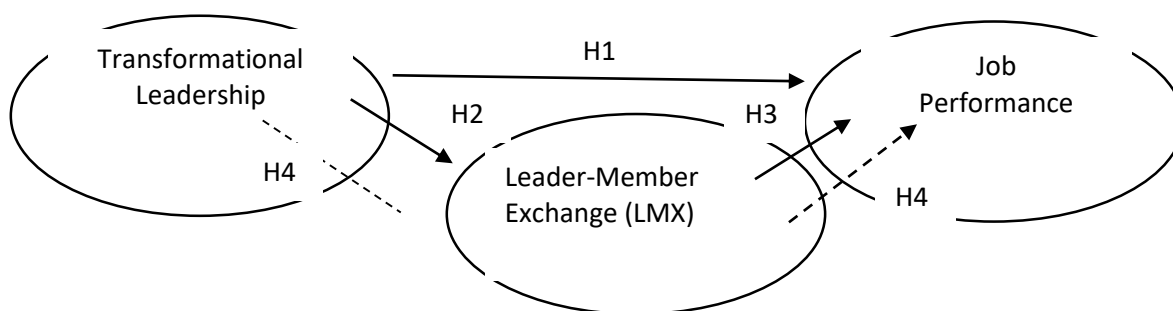
RESEARCH METHODS

Research Approach

Following the description of the background, this research was conducted using a quantitative approach. In this study, the independent variable is transformational leadership (X), the dependent variable is employee performance (Y), while the mediating variable is the LMX (LMX). The scale used to measure the level of the three variables used in this study is the Likert scale. This scale is a method of measuring attitudes using five assessment points, namely: Strongly Disagree (1), Disagree (2), Simply Agree (3), Agree (4), Strongly Agree (5).

Measurement

Transformational Leadership

Transformational Leadership is the influence of the leadership or staff leader of the secretariat and all fields in the Surabaya City Culture and Tourism Office towards their subordinates, and they will feel pride, trust, loyalty, and respect for the leader, and they are motivated to do more than what is expected of them. The transformational leadership indicator used is according to Bass (1989).

LMX

LMX is defined as the extent to which the improvement of the quality of the relationship between superiors and secretariat staff and all areas in the Surabaya City Culture and Tourism Office will be able to improve the performance of both so that it has implications for effectiveness and progress for the organization. The LMX indicator used is according to Liden & Masyln (1998).

Employee Performance

Performance is the result of the work of the staff of the secretariat and all areas of the Surabaya City Culture and Tourism Office in quality and quantity achieved by a person in carrying out their functions under the responsibilities assigned to them. Employee performance indicators used are according to Wang & Law (2005).

Data and Sample Collection Techniques

The data collection method in this research was obtained through library research and field research, namely by questionnaire. The target population in this study were all permanent employees (PNS) of the Surabaya City Culture and Tourism Office, amounting to 45 people. This study will use non-probability sampling techniques using saturated sampling techniques. So that the sample used is taken from the staff of the secretariat and all fields in the Surabaya City Culture and Tourism Office. So, the population members taken as a sample are 45 respondents because the population will be the same as the number of samples if the sampling technique is saturated.

Data Analysis Techniques

This study uses data analysis with the Partial Least Square (PLS) approach. PLS is a variant-based Structural Equation Modeling (SEM) equation model that simultaneously combines the structural path model and also measures the path.

Data Analysis

Data analysis with the Partial Least Square (PLS) approach has steps by designing an Outer Model or measurement model that connects indicators with latent variables and designing an Inner Model or a structural model that connects between latent variables.

Table 1

N=48		Frequency	Percentage	Total%
Gender	Male	27	60	60
	Female	18	40	100
Age	25-30 years old	1	2,2	2,2
	31-35 years old	3	6,7	7,9
	>35 years old	41	91,1	100
Years of Employment	< 1 years	0	0	0
	1-5 years	3	6,7	6,7
	> 5 years	42	93,3	100

Note: Three (3) demographic variables were coded in the data as Gender, Age, and Years of Employment.

Table 2

Variables	Code	Factor Loading			ᾁ	CR	(AVE)
Transformational Leadership	X1.1	0.905262			0.961	0.966	0.706
	X1.1	0.872404					
	X1.2	0.92656					
	X1.2	0.894264					
	X1.3	0.937944					

	X1.3	0.931092					
	X2.1	0.843594					
	X2.2	0.859887					
	X2.3	0.831248					
LMX	LMX1		0.748032		0.926	0.939	0.660
	LMX2		0.838375				
	LMX3		0.704374				
	LMX4		0.870678				
	LMX5		0.809538				
	LMX6		0.762297				
	LMX7		0.86562				
	LMX8		0.88192				
Job Performance	P1			0.854924	0.981	0.982	0.686
	P2			0.91757			
	P3			0.897372			
	P4			0.81824			
	P5			0.786433			
	P6			0.868926			
	P7			0.942828			
	P8			0.929829			
	P9			0.929338			
	P10			0.854924			
	P11			0.810163			
	P12			0.801909			
	P13			0.815235			
	P14			0.928643			
	P15			0.896277			
	P16			0.811764			
	P17			0.758251			
	P18			0.676148			
	P19			0.779463			
	P20			0.672676			
	P21			0.691243			
	P22			0.788814			
	P23			0.861316			
	P24			0.786365			
	P25			0.750798			

Note: X1-X2 (Transformational Leadership), LMX (LMX), and P (Employee Performance). Based on Table 2, it is known that all indicators have met the requirements in the Validity Test study. So that it can be stated that all indicators in this study affect latent variables because they have met the validity and reliability requirements for the research conducted.

Table 3. Cross Loading Result

	Intellectual	Individual	Inspirational	Charisma	Transformational Leadership	Job Performance	Leader Member Exchange
LMX1	0.502844	0.515324	0.394894	0.483939	0.498538	0.499608	0.748032
LMX2	0.825215	0.730722	0.7904	0.805418	0.825818	0.526725	0.838375
LMX3	0.376039	0.472195	0.35516	0.426269	0.428205	0.550615	0.704374
LMX4	0.69768	0.664682	0.692716	0.751709	0.736774	0.508932	0.870678
LMX5	0.793368	0.722644	0.733817	0.802639	0.800998	0.512885	0.809538
LMX6	0.524247	0.614604	0.390423	0.500907	0.532305	0.518988	0.762297
LMX7	0.644333	0.751675	0.634371	0.716219	0.720277	0.592176	0.86562
LMX8	0.823849	0.788905	0.795364	0.839171	0.851217	0.568316	0.88192
P1	0.409046	0.50322	0.339719	0.444769	0.44677	0.854924	0.509694

P10	0.357732	0.357848	0.27269	0.402936	0.368592	0.810163	0.483695
P11	0.423404	0.451454	0.309891	0.434295	0.427	0.801909	0.503544
P12	0.462554	0.447601	0.365171	0.456476	0.455941	0.815235	0.496507
P13	0.522445	0.536083	0.362676	0.48365	0.501783	0.928643	0.508301
P14	0.596837	0.563334	0.493164	0.584202	0.588245	0.896277	0.625206
P15	0.517579	0.595203	0.523782	0.600804	0.587944	0.811764	0.593111
P16	0.413631	0.470464	0.2613	0.385414	0.403411	0.758251	0.439999
P17	0.167728	0.212082	0.054504	0.211094	0.173851	0.676148	0.256855
P18	0.213788	0.249405	0.108085	0.222216	0.211438	0.779463	0.253789
P19	0.469022	0.504454	0.326967	0.423478	0.453338	0.847911	0.506869
P2	0.427716	0.481345	0.35189	0.446007	0.449548	0.91757	0.480467
P20	0.552544	0.566581	0.410034	0.54449	0.546136	0.672676	0.612021
P21	0.39636	0.44495	0.313517	0.437481	0.420332	0.691243	0.541062
P22	0.647301	0.621362	0.567715	0.645710	0.651708	0.788814	0.702828
P23	0.379433	0.323993	0.254166	0.368042	0.351301	0.861316	0.429361
P24	0.64932	0.609765	0.504609	0.614652	0.625158	0.786365	0.659945
P25	0.674949	0.67413	0.617275	0.682720	0.694899	0.750798	0.68089
P3	0.356946	0.357199	0.217558	0.334270	0.33494	0.897372	0.452211
P4	0.625813	0.637294	0.44257	0.610680	0.6102	0.81824	0.612334
P5	0.443271	0.426265	0.364078	0.47368	0.45052	0.786433	0.492829
P6	0.508861	0.504212	0.450373	0.530455	0.52509	0.868926	0.554054
P7	0.419312	0.446263	0.296321	0.409792	0.414567	0.942828	0.492448

Note: Based on Table 3, it shows that each indicator in the transformational leadership variable, leader member exchange, and employee performance has a higher loading factor value compared to other constructs. So, it can be concluded that the indicators used in this study have good discriminant validity in compiling their respective variables.

Table 4 Description Analysis

Indicators	Mean	Category
Transformational Leadership		
My Head of Division makes his staff proud to be associated with him at work	3,91	High
My Head of Division can foster job confidence in each of his staff	4,16	High
My Head of Division has a focused view on the mission of the organization conveyed to each of his staff	4.07	High
My Head of Division pays personal attention to his staff when his staff appears to be neglecting his work.	3,93	High
My Head of Division knows the needs of his staff at work and helps to get it.	4.20	High
My Head of Department appreciates the job his staff is doing well.	4.07	High
Total Mean	4.05	High
LMX		
My Head of Division is the type of person who wants to be considered a friend.	3,53	High
My Head of Division is a very nice person to work with.	4,00	High
My Head of Division will defend my job even though I don't understand the issues in question.	3,22	Quite High
My Head of Division will protect me if my job is underestimated by others	3,78	High
My Head of Division will defend me in the company if I honestly admit my mistakes.	4,04	High
I work for the Head of Division beyond what is expected of my job.	3,76	High
I am willing to put in extra effort, beyond what is normally necessary, to meet the goals of my Head of Division job.	3,78	High
I respect the work competency of my Head of Division.	4,13	High
Total Mean	3,78	High
Job Performance		
Staff comply with applicable regulations	4,58	Very High
Staff show work behavior according to what they say	4,38	Very High
Staff perform work by the authority they have	4,31	Very High

Staff do work without needing to be ordered by the Head of Division	4,29	Very High
Staff are responsible for mistakes made by admitting their mistakes.	4.51	Very High
Staff correct the mistakes as soon as possible	4,49	Very High
Staff learn from the mistakes that have been made	4,44	Very High
Staff complete work objectives according to predefined work schedules.	4,38	Very High
Staff complete the entrusted work according to the specified deadline	4,40	Very High
Staff prioritize discipline when carrying out tasks in their workgroup.	4,31	Very High
Staff comply with the stipulated working hours	4,31	Very High
Staff value the opinion, views, or orders of the Head of Division	4,44	Very High
Staff can cooperate with other units	4,36	Very High
Staff are open to differences of opinion	4,22	Very High
Staff discuss disagreements into work units	4,20	High
Staff can make deals on the team	3,91	High
Staff agree with a guideline for work	4,09	High
Staff respond to job problems quickly	4,16	High
Staff do the job without waiting for orders	4,11	High
Staff seek solutions when they encounter problems at work	3,89	High
Staff are oriented toward the future to anticipate problems	4,09	High
Staff try to work beyond the standards set	3,89	High
Staff strive to always improve their performance	4,56	Very High
Staff set work goals higher than the standards set	3,71	High
Staff are brave to take risks with a careful balance	3,93	High
Total Mean	4,24	Very High

Note: Table 3 shows a description of the respondents' answers to the Transformational Leadership and LMX variables in the High category, and Employee Performance in the Very High category.

Table 5. R-Square Result

Variables	Original Sample – R-Square
LMX	0.721
Job Performance	0.435

Note: It is known that Environmental Passion has an R-Square value of <0.5 which means it is a moderate model, and Pro-Environmental Behavior also has an R-Square value of <0.5 which means it is a moderate model.

Predictive Relevance
The value of predictive relevance in this study can be found through the calculation of the Q-square as follows:

$$Q^2 = 1 – (1 – R^2{}_1) \times (1 – R^2{}_2)$$
$$= 1 – (1 – 0.721) \times (1 – 0.435)$$
$$= 1 – (0.279 \times 0.565)$$
$$= 1 – 0.157635$$
$$= 0.842365$$

Based on the results of the Q-square calculation above, it can be stated that the model has a predictive relevance value of 84.23%. So, it shows that the analysis model has good predictive relevance.

Goodness of fit
The value of goodness of fit in this study can be found through the following calculations with the formula:

$$\text{Goodness of Fit} = \sqrt{\overline{AVE} \times \overline{R^2}}$$
$$= \sqrt{0.673253 \times 0.5793425}$$
$$= \sqrt{0.390044076152}$$
$$= 0.624535088$$

Based on the above calculations, it can be seen that the goodness of fit value in this study is 0.62. So that it shows a match between the results of the observations with the frequency obtained based on the expected value.

Table 6. Hypothesis Result

Direct effect	*Original Sample*	T Statistics	Note
Transformational Leadership → Job Performance	0.175	0.721	Not significant
Transformational Leadership → LMX	0.849	21.736	Significant
LMX → Job Performance	0.505	2.512	Significant

Note: It is known that to explain the Path Coefficient, a T-statistical value> 1.96 (significance level of 5%) is needed to conclude that the relationship between the variables being tested has a significant effect, and if the original sample value is positive it shows a unidirectional relationship. as well as seeing the magnitude of the influence of the independent variable on the dependent variable.

Mediation Effects

Figure 3. Sobel Test Result

Comparing the Sobel statistical value with a p-value of less than 5% indicates that the mediation effect is significant in the model tested. Figure 3 shows that in point a, the coefficient of variable X to Z (transformational leadership towards LMX) is 0.851270. While point b is the variable parameter coefficient Z to Y (LMX on employee performance) of 0.547000. Point Sa is the standard error in variable X against Z (transformational leadership towards LMX) of 0.043323. Besides, Sb is the standard error in variable Z against Y (LMX on employee performance) of 0.183474.

Table 7. Path Coefficient (Inner Model Result)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)
Transformational Leadership→Intellectual	0.960467	0.958890	0.016189	0.016189	59.328458
Transformational Leadership→Individual	0.942330	0.938791	0.026344	0.026344	35.769869
Transformational Leadership→Inspirational	0.940885	0.940441	0.021717	0.021717	43.325165
Transformational Leadership→Charisma	0.974344	0.972582	0.011170	0.011170	87.226736
Transformational Leadership→Job Performance	0.127349	0.143971	0.215284	0.215284	0.591538
Transformational Leadership→Leader Member Exchange	0.851270	0.851565	0.043323	0.043323	19.649296
Leader Member Exchange -> Job Performance	0.547000	0.544872	0.183474	0.183474	2.981354

Note: Based on Table 7 it shows that the effect of the independent variable on the dependent variable is through the results of the Original Sample, Sample Mean, Standard Deviation, Standard Error, and T Statistics.

RESULTS AND DISCUSSION
Discussion
Transformational Leadership and Employee Performance
 Based on the results of the analysis using data analysis with the Partial Least Square (PLS) approach, it was found that there was no significant influence between transformational leadership on the performance of the employees of The Surabaya City Culture and Tourism Office. This can be seen through the original sample value of 0.175 and the T-Statistics result of 0.721 <1.96. Thus, it can be stated that hypothesis 1 is rejected and that transformational leadership cannot significantly influence the performance of their employees. This is also supported by research by Prabowo *et al.,* (2018) which states that Transformational Leadership has no effect in encouraging employee performance. This can be influenced by several factors, such as that leaders do not pay attention to the characteristics of Transformational Leadership and apply them. This also means that when leaders at the Surabaya City Culture and Tourism Office apply a transformational leadership style at work, it does not have a real effect on the performance of their subordinates. Such behavior is not required in formal activities such as routine evaluation of staff, so it has less impact on employee performance. Besides, another thing that might happen is the existence

of other factors that mediate the relationship between transformational leadership style and performance.

Transformational Leadership and LMX

Based on the results of the analysis using data analysis with the Partial Least Square (PLS) approach that has been carried out, it can be proven that there is a significant influence between transformational leadership on LMX at the Surabaya City Culture and Tourism Office. This can be seen through the original sample value of 0.849 and the T-Statistics result of 21.736> 1.96. Thus, it can be stated that hypothesis 2 is accepted and that transformational leadership in the Surabaya City Culture and Tourism Office employees can influence their LMX significantly. This is also supported by research by Wong & Berntzen, (2019) which has examined the relationship between transformational leadership and LMX. The results showed that the transformational leadership of the Surabaya City Culture and Tourism Office could be 'personalized' through individual exchanges that built a LMX. It is known that the LMX will be closely related to the central principle of transformational leadership of the Surabaya City Culture and Tourism Office, the core arena of this transformational leadership theory will lead to empowering the employees of the Surabaya City Culture and Tourism Office in a way that results in a conscious change in individuals or groups. So, it can be concluded that the leadership process of the Surabaya City Culture and Tourism Office is effective when leaders and followers can develop mature leadership relationships. Such as the process of the influence of transformational leaders on leader-employee interactions (LMX).

Based on the results of the analysis using data analysis with the Partial Least Square (PLS) approach that has been done, there is a significant influence between the LMX on the performance of the employees of the Surabaya City Culture and Tourism Office. This can be seen through the original sample value of 0.505 and the T-Statistics result of 2.512> 1.96. Thus, it can be stated that hypothesis 3 is accepted and concludes that the LMX at the Surabaya City Culture and Tourism Office can significantly influence the performance of their employees. This is also supported by the research of Selvarajan *et al.*, (2018) which states that through a leadership perspective, a LMX is defined as the quality of exchange between supervisors and subordinates which is suggested to be an important source of motivation to improve performance. The results showed that the LMX of the Surabaya City Culture and Tourism Office was of high quality which could indicate that the relationship between managers and employees is imbued with respect, trust, encouragement, and reciprocal influence. So that employees of the Surabaya City Culture and Tourism Office who have a good working relationship with their superiors are seen as more likely to have greater job satisfaction, decreased levels of intention to leave, and higher productivity which leads to greater performance improvements.

LMX mediates Transformational Leadership to Employee Performance

Based on the results of the analysis using the Sobel Test, it is known that the LMX variable fully mediates the relationship between transformational leadership and employee performance significantly for the employees of the Surabaya City Culture and Tourism Office. This can be seen through the p-value of less than 5%, which is equal to 0.00320238. Thus, it can be stated that hypothesis 4 is accepted and that the LMX at the Surabaya City Culture and Tourism Office can significantly mediate the effect of transformational leadership on the performance of their employees. This is also supported by Wong & Berntzen's research, 2019) that the basis of transformational leadership in an organization is the interaction between leaders and followers (LMX). On the other hand, transformational leaders will play a pioneering role in the development of LMXs. This clarifies long-term goals, makes use of the talents and skills of followers, and increases self-confidence. That way, the interaction between leaders and employees of the Surabaya City Culture and Tourism Office will be a factor in increasing their performance to produce quality work that leads to indicators of economic development. Becoming a transformational leadership style carried out by the leader of the Surabaya City Culture and Tourism Office will encourage and support followers by creating a LMX. Furthermore, this will achieve its potential and will motivate the employees of the Surabaya City Culture and Tourism Office to continue to improve their performance and outperform themselves.

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the analysis and discussion that has been carried out, the conclusion that can be drawn in this study is that transformational leadership has no significant effect on performance but has a significant effect on LMX for the employees of the Surabaya City Culture and Tourism Office, while LMXs have a significant effect on employee performance. Surabaya City Culture and Tourism Office, and fully mediate the influence of transformational leadership on employee performance. So that in this study as a whole it can be concluded that the more the LMX increases, the higher the effect of transformational leadership on the performance of the employees of the Surabaya City Culture and Tourism Office. This is also supported by the statement of Kalsoom *et al.*, (2018) that leadership is the process and ability of individuals to inspire a group of people through their vision towards achieving their goals. In this study, it is known that the theory of leadership is applied well and can produce appropriate leader-follower interactions. This research can also increase employee performance which can produce good quality work and lead to indicators of economic development needed for a company.

Suggestions

The results of this study can be used as recommendations by the company's management in measuring the effect of transformational leadership on employee performance mediated by the LMX (LMX). It is known that it can influence the changes required for effective management, pay more attention to the quality of the relationship between subordinates and supervisors, and achieve independent goals efficiently through individual capacity. Also, it can be seen through the lowest average employee performance of 3.71 which states that the Surabaya City Culture and Tourism Office staff set work goals higher than the set standards. Even though the average is in the high category, it is still the lowest score on the employee performance variable indicator. It is hoped that the staff of the Surabaya City Culture and Tourism Office will be better at implementing the work done by doing work that is higher than the set standard.

REFERENCE

1. Aradilla-Herrero, A., & Tomás-Sábado, J. (2011). The role of emotional intelligence in nursing. *Nursing Students and Their Concerns*, *December*, 131–154.
2. Bastari, A., Eliyana, A., & Wijayanti, T. W. (2020). Effects of transformational leadership styles on job performance with job motivation as mediation: A study in a state-owned enterprise. *Management Science Letters*, *10*(12), 2883–2888. https://doi.org/10.5267/j.msl.2020.4.019
3. Boer, D., Deinert, A., Homan, A. C., & Voelpel, S. C. (2016). Revisiting the mediating role of LMX in transformational leadership: the differential impact model. *European Journal of Work and Organizational Psychology*. https://doi.org/10.1080/1359432X.2016.1170007
4. Braun, S., Peus, C., Weisweiler, S., & Frey, D. (2013). Transformational leadership, job satisfaction, and team performance: A multilevel mediation model of trust. *Leadership Quarterly*. https://doi.org/10.1016/j.leaqua.2012.11.006
5. Buil, I., Martínez, E., & Matute, J. (2019). Transformational leadership and employee performance: The role of identification, engagement, and proactive personality. *International Journal of Hospitality Management*, *77*(October 2017), 64–75. https://doi.org/10.1016/j.ijhm.2018.06.014
6. Chernyak-Hai, L., & Tziner, A. (2014). Relationships between counterproductive work behavior, perceived justice and climate, occupational status, and LMX. *Revista de Psicologia Del Trabajo y de Las Organizaciones*. https://doi.org/10.5093/tr2014a1
7. Eliyana, A. (2015). *Influence of Organizational Culture and LMX to Affirmative Action Policy, Diversity, and Employee Work Quality at Pt Pelabuhan Indonesia III*. *4*(2), 261–276.
8. Eliyana, A., Ma'arif, S., & Muzakki. (2019). Job satisfaction and organizational commitment affect transformational leadership in employee performance. *European Research on Management and Business Economics*, *25*(3), 144–150. https://doi.org/10.1016/j.iedeen.2019.05.001
9. Eubanks, D. L., Palanski, M., Olabisi, J., Joinson, A., & Dove, J. (2016). Team dynamics in virtual, partially distributed teams: Optimal role fulfillment. *Computers in Human Behavior*. https://doi.org/10.1016/j.chb.2016.03.035
10. Fenwick, K. M., Brimhall, K. C., Hurlburt, M., & Aarons, G. (2019). Who wants feedback? Effects of transformational leadership and LMX on mental health practitioners' attitudes toward feedback. *Psychiatric Services*, *70*(1), 11–18. https://doi.org/10.1176/appi.ps.201800164
11. Hoch, J. E., & Dulebohn, J. H. (2017). Team personality composition, emergent leadership, and shared leadership in virtual teams: A theoretical framework. *Human Resource Management Review*. https://doi.org/10.1016/j.hrmr.2016.12.012
12. Jiang, W., Zhao, X., & Ni, J. (2017). The impact of transformational leadership on employee sustainable performance: The mediating role of organizational citizenship behavior. *Sustainability (Switzerland)*, *9*(9). https://doi.org/10.3390/su9091567
13. Kalsoom, Z., Ali Khan, M., & Sohaib Zubair, S. (2018). Impact of Transactional Leadership and Transformational Leadership on Employee Performance: A Case of FMCG Industry of Pakistan. *Industrial Engineering Letters*, *8*(3), 23–30. www.iiste.org
14. Kammerhoff, J., Lauenstein, O., & Schütz, A. (2019). Leading toward harmony – Different types of conflict mediate how followers' perceptions of transformational leadership are related to job satisfaction and performance. *European Management Journal*, *37*(2), 210–221. https://doi.org/10.1016/j.emj.2018.06.003
15. Kara, E. (2019). *BUSINESS AND ECONOMICS RESEARCHES Social Sciences Management, Marketing, Accounting- Finance and Editor* (Issue August).
16. Kirkman, B., Chen, G., Farh, J. L., Chen, Z. X., & Lowe, K. (2009). Individual power distance orientation and follower reactions to transformational leaders: A cross-level, cross-cultural examination. *Academy of Management Journal*. https://doi.org/10.5465/AMJ.2009.43669971
17. Lee, S. H. (2020). Achieving corporate sustainability performance: The influence of corporate ethical value, and LMX on employee behaviors and organizational performance. *Fashion and Textiles*, *7*(1). https://doi.org/10.1186/s40691-020-00213-w
18. Liang, S. G., & Steve Chi, S. C. (2013). Transformational Leadership and Follower Task Performance: The Role of Susceptibility to Positive Emotions and Follower Positive Emotions. *Journal of Business and Psychology*. https://doi.org/10.1007/s10869-012-9261-x
19. Martin, R., Guillaume, Y., Thomas, G., Lee, A., & Epitropaki, O. (2016). LMX (LMX) and Performance: A Meta-Analytic Review. *Personnel Psychology*. https://doi.org/10.1111/peps.12100
20. Masterson, S. S., Lewis, K., Goldman, B. M., & Taylor, M. S. (2000). INTEGRATING JUSTICE AND SOCIAL EXCHANGE: THE DIFFERING EFFECTS OF FAIR PROCEDURES AND TREATMENT ON WORK RELATIONSHIPS. *Academy of Management Journal*. https://doi.org/10.2307/1556364
21. Mittal, S., & Dhar, R. L. (2015). Transformational leadership and employee creativity. *Management Decision*, *53*(5), 894–910. https://doi.org/10.1108/md-07-2014-0464
22. Mustika, H., Eliyana, A., & Agustina, T. S. (2020). The effect of leadership behavior on knowledge management practices at the PT Power Plant of East Java. *International Journal of Innovation, Creativity, and Change*, *10*(12), 382–391.
23. Muzakki, M., Eliyana, A., & Muhtadi, R. (2019). Is Employee Performance Affected by Organizational Culture, Work Motivation, and Organizational Citizenship Behavior (OCB)?: An Empirical Investigation. *IJIEEB: International Journal of Integrated Education, Engineering and Business*, *2*(1), 36–42.
24. Piccolo, R. F., & Colquitt, J. A. (2006). Transformational leadership and job behaviors: The mediating role of core job characteristics. In *Academy of Management Journal*. https://doi.org/10.5465/AMJ.2006.20786079
25. Prabowo, T. S., Noermijati, N., & Irawanto, D. W. (2018). the Influence of Transformational Leadership and Work Motivation on Employee Performance Mediated By Job Satisfaction. *Jurnal Aplikasi Manajemen*, *16*(1), 171–178. https://doi.org/10.21776/ub.jam.2018.016.01.20

26. Schyns, B., & Day, D. (2010). Critique and review of LMX theory: Issues of agreement, consensus, and excellence. *European Journal of Work and Organizational Psychology*. https://doi.org/10.1080/13594320903024922

27. Selvarajan, T. T., Singh, B., & Solansky, S. (2018). Performance appraisal fairness, LMX, and motivation to improve performance: A study of US and Mexican employees. *Journal of Business Research*, *85*(August 2017), 142–154. https://doi.org/10.1016/j.jbusres.2017.11.043

28. Waglay, M., Becker, J. R., & Du Plessis, M. (2020). The role of emotional intelligence and autonomy in transformational leadership: A LMX perspective. *SA Journal of Industrial Psychology*, *46*, 1–12. https://doi.org/10.4102/sajip.v46i0.1762

29. Wang, C. J. (2016). Does LMX enhance performance in the hospitality industry?: The mediating roles of task motivation and creativity. *International Journal of Contemporary Hospitality Management*, *28*(5), 969–987. https://doi.org/10.1108/IJCHM-10-2014-0513

30. Wang, H., Law, K. S., Hackett, R. D., Wang, D., & Chen, Z. X. (2005). LMX as a mediator of the relationship between transformational leadership and followers' performance and organizational citizenship behavior. In *Academy of Management Journal*. https://doi.org/10.5465/amj.2005.17407908

31. Wong, S. I., & Berntzen, M. N. (2019). Transformational leadership and LMX in distributed teams: The roles of electronic dependence and team task interdependence. *Computers in Human Behavior*, *92*, 381–392. https://doi.org/10.1016/j.chb.2018.11.032