TRANSFORMATIONAL LEADERSHIP ON PERFORMANCE: MEDIATING ROLE OF FLEXIBLE WORK ARRANGEMENTS AND WORK ENGAGEMENTS (STUDY ON THE COFFEE SHOP INDUSTRY IN YOGYAKARTA)

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Abstract: This study deals with the effect of transformational leadership and flexible work arrangement on performance through work engagement as an intervening variable in the cafe industry in Yogyakarta. The purpose of this study was to determine the effect of the variables to be studied, namely transformational leadership, flexible work arrangement, work engagement, and performance. Respondents in this study were 106 workers from 34 cafes in Yogyakarta. The data collection method in this study used a questionnaire with 5 Likert scales. The results of this study indicate that there is a positive effect of the variables tested for both direct and indirect impact. However, the value is not greater than the immediate effect. This research aims to increase the opportunities for determining flexible work arrangements, strengthening transformational leadership, especially employee motivation and involvement, and maintaining performance through a suitable communication process.

Keywords: transformational leadership, flexible work arrangement, work engagement, performance

1. INTRODUCTION

The rise of lifestyle and coffee shops in Yogyakarta makes every cafe have a competitive advantage in the face of increasingly fierce competition. Competitive advantages in this industry can be in the form of a comfortable and attractive place for consumers, the taste of the products offered, competitive prices, and so on. Produce a unique product, like can be produced from quality raw materials

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and employee performance in creating quality products so that consumers feel satisfied and can achieve the organizational goals. Performance is the main factor that influences the organization in achieving its goals (Suratman, 2019). That employee performance results from work in quality and quantity, which employees accomplish in carrying out their duties according to their responsibilities (Mangkunegara, 2009). Employee performance affects how much employees contribute to the organization (Mathis and Jackson, 2011).

The transformational leadership style is a condition in which followers of transformational leaders feel trust, admiration, loyalty, and respect for the leader (Bass in Yukl, 2013). This style can trigger followers to do their job better than something expected at the outset. This leadership style occurs when a person (or more) establishes relationships with other people so that leaders and followers provide mutual support and influence until they are at an optimum level of performance (Burns, 1978). A leader uses this leadership style is used by a leader if he wants his group to exceed its limits and have the optimum performance to achieve organizational goals (O’Leary, 2001). So that motivation is needed for employees to have better performance than expected to achieve organizational goals (Suratman, 2019).

Flexible work arrangements can allow employees to carry out their duties in the organization. That flexible work arrangements are a term that refers to all practices or types of work that are outside the traditional work model (Selby and Wilson, 2003). That flexible work arrangements are work practices that benefit the company and workers in terms of time, location, and work patterns (Paul & Sharafizad, 2007). Flexible work arrangements can be an alternative for leaders to do the work assigned to employees effectively and efficiently.

Work Engagement can improve performance among employees by inviting employees to communicate with each other and collaborate on the assigned tasks. With work engagement, employees can interact and work together in doing the work given. That is someone aware of the business context and works with colleagues to achieve organizational goals (Bevan in Armstrong, 2011). In the cafe industry itself, because it requires high mobility in making a product and serving customers having a flexible workplace, sometimes employees are required to be reliable in specific fields but can create products, serve payments, and serve customers. This business run makes the boss directly involved in the work to ensure
everything is by setting the standards. The cafe industry applies a part-time and full-time work system so that with this work system, employees with part-time work systems can be flexible in adjusting between work and personal life.

2. LITERATURE REVIEW

2.1 Transformational Leadership

Transformational leadership style is a condition in which the subordinates have respect, loyalty, admiration, and inspiration to do the job optimally (Yukl, 2013). This style occurs when a person (or more) establishes a relationship with other people so that the leader and his followers elevate themselves and give influence to an optimal level (Burns, 1978). Leaders need this style when they want their group to exceed its limits and achieve optimal performance or organizational goals (O’Leary, 2001). Within years of experience, leaders who have observant personalities can act as mentors that treat the members and business sustainability (Effendy, 2017). From some previous understandings, some indicators in transformational leadership style are ideal influence, inspiring motivation, support from intellectual stimulation, and openness with individual considerations (Bass & Avolio, 2000). Leaders have a transformational style when interpreting and communicating their vision, supporting their subordinates, and having high charisma (Fitzgerald & Schutte, 2010). From several expert opinions seen the transformational leadership style from different perspectives. Although interpreted from different perspectives, the main goal remains the same: the relationship between leaders and employees positively so that people can achieve optimal performance and organizational goals.

2.2 Flexible-Work Arrangement

Flexible work arrangements (FWA) can allow employees to carry out their duties in the organization. Flexibility refers to all practices or types of work outside the traditional work model (Selby & Wilson, 2003). Flexible work practices provide benefits for the company and workers in terms of time, location, and work patterns and can provide a more comprehensive time allocation for the personal needs of workers (Paul & Sharafizad, 2007). Those
understanding of flexible work arrangements can result from different perspectives. It’s just that even though they differ from various points of view, the main goal is to remain the same, namely to provide flexibility for employees to do their jobs. Such as making time more efficient in each period of the week, there is a division of labor that allows for part-time work and involves flexible work times and locations.

2.3 Work Engagement

Work engagement is needed, physically and mentally, with optimism, enthusiasm, and dedication attached to employees related to their work. Work engagement arises from employee involvement in controlling their behavior and personal goals (Osborne and Hammoud, 2017). Work engagement with its three parts, namely vigor, dedication, and absorption, contributes to the mental experience of employees having a path to performance creation (Kim et al., 2019). Then a high level of work involvement leads to an increase in employee performance, improves business performance, and increases the competitive advantage of the organization competitive advantage (Rana et al., 2019). Given that work, engagement shows the extent to which an employee can commit to an organization, and the results of this committee determined the way they work and the length of time they work (Federman, 2009). Work engagement can also interpret as a motivational concept that reflects the energy possessed by each employee, which is a link to the work he faces. Individuals will increase their involvement in employment according to their perception of its meaning, the security they feel, and its availability (Cook, 2008).

2.4 Performance

Performance is the result of a person’s behavior achieved in completing the tasks and responsibilities given within a certain period (Armstrong and Taylor, 2014; & Kasmir, 2016). Performance is an output set of employee behaviors that positively or negatively to organizational goals. Several factors affect the performance of employees obtaining the findings, namely job assistance, supervisory support, and the physical work environment has a positive influence on employee performance (Lankeshwara, 2016). Several factors influenced perfor-
mance: abilities and expertise, knowledge, work design, personality, work motivation, leadership style, organizational culture, job satisfaction, work environment, loyalty, commitment, and discipline (Kasmir, 2016). Including, the performance can rise from leadership commitment, member’s contributions, also systematic and sustained transfer knowledge (Waney & Radianto, 2017).

2.5 Effect of Transformational Leadership on Work Engagement and Performance

Transformational leadership style can influence and motivate employees in carrying out their work to achieve company goals. According to Bass in Yukl (2013), the transformational leadership style is a condition in which the subordinates of a transformational style leader feel respect, loyalty, admiration, and inspiration. The associates are motivated to do their work optimally. In addition, this leadership style raises the relationship between leaders and followers and gives influence to an optimum level (Burns, 1978) to achieve organizational goals (O’Leary, 2001). This style has several indicators that influence it (Fitzgerald and Schutte, 2010): the ability to interpret and articulate a vision, provide an appropriate model, encourage acceptance of group goals, communicate high-performance expectations, provide individual support, and a high level of charisma.

Referring to Bass (1999) and Schaufeli (2002), several studies reveal a positive influence between transformational leadership on work engagement in the hospitality industry (Liang et al. 2016; Mostafa et al. 2018) & Bui et al. 2019). Developing on the reference of Bass and Avolio (2006) and Schaufeli (2006) also obtained results from Shokory & Suradi (2018), Sahu et al. (2017), and Bui et al. (2017) that there is a positive relationship between transformational leadership on high work engagement. It carried out on the activities of the project team and the results in telecommunications companies in India. Research conducted by Mas’adeh et al. (2016), Rita et al. (2017), Eliyana et al. (2019), Kamerhoff et al. (2019), and Bui et al. (2019) showed that there was a positive influence between transformational leadership on the performance of professional practitioners. This study uses the theory of Bass (1999) on the transformational leadership variable and the view of Boerner and Krause (2002) on the performance variable. From several previous studies which state that there is a
link between transformational leadership on work engagement and performance, both direct influence and the mediating role of work engagement, the following hypothesis obtained:
H1: There is a positive influence between transformational leadership variables on engagement work
H2: There is a positive influence between transformational leadership variables on performance
H3: There is an indirect effect of transformational leadership on work engagement performance.

2.6 Effect of Flexible Work Arrangement on Work Engagement on Performance

Flexible work arrangements can allow employees to carry out their duties in the organization. Selby and Wilson (2003) defined flexible work as a term that refers to all practices or types outside the traditional work model. This arrangement will benefit the company and workers regarding time allocation, location, and work patterns. More broadly, for the personal needs of workers (Paul and Sharafizad, 2007). It’s just that even though they differ from various points of view, the main goal is to remain the same, namely to provide flexibility for employees to do their jobs.

Research conducted by Bujacz et al. (2017), Conradie et al. (2019), and Setiyani et al. (2019) found positive results between flexible work arrangement on performance by referring to the theory of Benz and Frey (2008) on adjustable work variables and the view from Hulltell and Gustavson (2011) on work engagement variables. Kattenbach et al. (2011), Akron et al. (2016), Giovanis (2017), and Obisi (2017) found that there is a positive relationship between flexible work arrangements and employee performance in Germany. This study uses the theory of Baltes et al. (1999) on the flexible work arrangement variable and the idea of Williams and Anderson (1991) and Mathis and Jackson (2011) on the performance variable. From several previous studies which state that there is an effect of flexible work arrangement on work engagement and performance, both direct influence and the mediating role of work engagement, the following hypothesis obtained:
H4: There is a positive influence between flexible work arrangements on work engagement.
H5: There is a positive influence between flexible work arrangement on performance
H6: There is an indirect influence between flexible work arrangement on performance through work engagement.

2.7 Effect of Work Engagement on Performance

According to Bevan in Armstrong (2011), work engagement is someone aware of the business context and works with colleagues to improve performance at work for the benefit of the organization. The second opinion is expressed by Robinson in Armstrong (2011), that the employee involved is someone who believes in and identifies with the organization. The third opinion expressed by Murlis and Watson in Armstrong (2011) is that work engagement is the result achieved by stimulating employee enthusiasm for their work and directing it towards organizational success. From some of the definitions above, it can be concluded that work engagement can be interpreted from a different perspective. However, although interpreted in a different view, the main goal remains the same: to invite employees to work together to achieve organizational goals. Several factors can influence job Engagement. Job engagement can be affected by enthusiasm, dedication, absorption (Schaufeli, 2006) as well as individual traits (views of life), circumstances (feelings of energy), and behavior (different roles) (Macey and Schneider, 2008). Employee performance is a factor that can affect the organization in achieving its goals.

According to Mangkunegara (2009), performance is the result of work in quality and quantity, which is achieved by an employee carrying out his duties according to the responsibilities given to him. Mathis and Jackson (2011) argue that employee performance influences how much they contribute to the organization. It can be concluded that performance can be interpreted from a different point of view. It’s just that even though they differ from various points of view, the main goal is the same, namely to see how far employee performance affects the organization in achieving its goals. Several factors can influence employee performance in it. The following are the opinions of several figures regarding the elements in Employee Performance.

Research conducted by Macinati et al. (2016), Buil et al. (2019), and Tisu et al. (2020) found positive results between the variables of work engagement
and performance. The same thing was obtained by Alessandri et al. (2017) positive results between work engagement variables on performance in lower-level employees, also in the research of Bhatti et al. (2018) found in nurses and supervisors.

H7: There is a positive influence between work engagement on performance

3. RESEARCH METHODS

3.1 Methods

This research distributed questionnaires through the Google Form application to respondents who are owners or employees of cafes in Yogyakarta related to the respondents’ identity and respondents’ perceptions of the variables to be studied. In the questionnaire, there are answers with a 5 Likert scale with points 1 to 5 meaning 1- “strongly disagree” to 5 “strongly agree.” these are distributed to individuals who currently/have worked in the cafes industry by using a google form. Then the questionnaires were distributed to the respondents, and the number of successfully filled questionnaires was 106 questionnaires. Furthermore, the source of the data obtained will be processed using SPSS 21. As a measuring tool in the questionnaire, 1) transformational leadership has four dimensions (12 statement items) based on Bass and Avolio (2000), namely ideal influence, inspirational motivation, intellectual stimulation, and individual considerations; 2) the measurement of flexible work-arrangement refers to Baltes et al. (1999) with three dimensions (9 statement items), namely; condensation of work time, division of labor and flexible time and place; 3) Work engagement as a person’s awareness in working with colleagues to improve performance at work to generate organizational benefits. To measure the attachment refers to Schaufeli (2006) with three dimensions in terms of enthusiasm, dedication, concentration with 9 statement items and 4) Employee performance as everything that a person produces as a form of his contribution to the organization. This variable refers to 5 dimensions (Mathis and Jackson, 2011) measuring performance from aspects of quantity, quality, timeliness of results, cooperation, and attendance with a total of 15 statement items.
3.2 Results

The calculation of instrument validity as \( r_{\text{table}} = 0.1909 \) (df = N-2 (106-2) = 104) with a significance level of 5% (0.05). all items in the four variables studied indicate that all statements have valid results with \( r_{\text{count}} > r_{\text{table}} \). And the reliability test has a Cronbach’s Alpha value greater than 60% or 0.60. Based on table 4.6, all variables in this study are declared reliable with the value of Cronbach’s alpha > the level of significance (0.6), with a value range of 0.803 to 0.871. The data distribution is normally as a significant value of 0.137 where the value is greater than 0.05, so the data met the normality test. The tolerance value is 0.10 (VIF), and there is no symptom of heteroscedasticity with a variable significance value greater than 0.05, indicating the regression model is feasible to be processed further. As a result of this, the mean score of all variables: 1) transformation leadership is 4.08 (high); 2) flexible work arrangement is 4.15 (flexible); 3) work engagement is 4.24 (very high) and 4) performance score on a very high level (4.29).

<table>
<thead>
<tr>
<th>Table 1 Demographic Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
</tbody>
</table>

| Age (years) | Frequency | Percentage |
| 19–21 | 35 | 33.02 |
| 22–24 | 66 | 62.27 |
| 25–30 | 5 | 4.71 |

| Position | Frequency | Percentage |
| Barista | 52 | 49.05 |
| Cook | 12 | 11.32 |
| Server/Administrator | 36 | 33.97 |
| Supervisor/Owner | 6 | 5.66 |

| Tenure | Frequency | Percentage |
| <6 months | 64 | 60.4 |
| 6 months–1 year | 31 | 29.2 |
| >1 year | 11 | 10.4 |

| Revenues/a month (IDR) | Frequency | Percentage |
| <1,500,000 | 58 | 54.7 |
| 1,600,000–2,500,000 | 37 | 34.9 |
| 2,600,000–3,500,000 | 5 | 4.7 |
| >3,500,000 | 6 | 5.7 |
Table 2 Multiple Linear Regression 1 (TL, FWA on WE)  
Coefficients*  

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.264</td>
<td>.375</td>
<td></td>
<td>3.372</td>
</tr>
<tr>
<td>1 Mean2X1</td>
<td>.401</td>
<td>.099</td>
<td>.365</td>
<td>4.064</td>
</tr>
<tr>
<td>Mean2X2</td>
<td>.323</td>
<td>.084</td>
<td>.345</td>
<td>3.837</td>
</tr>
</tbody>
</table>

a. Dependent Variable: RATA2Z  

Table 3 Multiple Linear Regression 1 (TL, FWA on Performance)  
Coefficients*  

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.204</td>
<td>.245</td>
<td></td>
<td>9.008</td>
</tr>
<tr>
<td>1 Mean2X1</td>
<td>.239</td>
<td>.064</td>
<td>.322</td>
<td>3.708</td>
</tr>
<tr>
<td>Mean2X2</td>
<td>.267</td>
<td>.055</td>
<td>.422</td>
<td>4.856</td>
</tr>
</tbody>
</table>

a. Dependent Variable: RATA2Y  

Table 4 Multiple Linear Regression 1 (WE on Performance)  
Coefficients*  

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.468</td>
<td>.217</td>
<td></td>
<td>11.354</td>
</tr>
<tr>
<td>Mean2Z</td>
<td>.428</td>
<td>.051</td>
<td>.635</td>
<td>8.422</td>
</tr>
</tbody>
</table>

a. Dependent Variable: RATA2Y  

Table 5 Regression Equation, Direct Effect and Indirect Effect  

<table>
<thead>
<tr>
<th>Liner Regression &amp; Indirect Effects</th>
<th>Direct Effects</th>
<th>Indirect Effects</th>
<th>Effects Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>X₁ ---- Z₁ Z = 1,264 + 0,401X₁ + 0,323X₂ + €</td>
<td>0,365</td>
<td>0</td>
<td>0,365</td>
</tr>
<tr>
<td>X₁ ---- Z₂</td>
<td>0,345</td>
<td>0</td>
<td>0,345</td>
</tr>
<tr>
<td>X₁ ---- Y₁ Y = 2,204 + 0,239X₁ + 0,267X₂ + €</td>
<td>0,322</td>
<td>0</td>
<td>0,322</td>
</tr>
<tr>
<td>X₁ ---- Y₂</td>
<td>0,422</td>
<td>0</td>
<td>0,422</td>
</tr>
<tr>
<td>Z₁ ---- Y₂ Y = 2,468 + 0,428Z₁ + €</td>
<td>0,635</td>
<td>0</td>
<td>0,635</td>
</tr>
<tr>
<td>X₁ ---- Z₁ Y = (0,365 x 0,635)</td>
<td>0</td>
<td>0,232</td>
<td>0,232</td>
</tr>
<tr>
<td>X₁ ---- Z₁ Y = (0,345 x 0,635)</td>
<td>0</td>
<td>0,220</td>
<td>0,220</td>
</tr>
</tbody>
</table>
There is an indirect influence between Transformational Leadership on Performance through Job Engagement as an intervening variable. However, the indirect effect is not as significant as the direct effect. The immediate consequence is greater than the indirect effect, namely $0.322 > 0.232$. There is an indirect influence between Flexible Work-Arrangement on Performance through Work Engagement as an intervening variable. However, the indirect impact is not as significant as the direct effect. This result is directly more significant than the indirect effect, namely $0.422 > 0.220$.

4. DISCUSSION

The first hypothesis is that a positive influence between transformational leadership variables on work engagement is approved. The statement that there is a positive influence between transformational leadership variables on performance. This is supported by Kamerhoff et al. (2019), Buil et al. (2019), and Eliyana et al. (2019). The third hypothesis has the effect of seeing in table 2 with a value of 0.232. The direct impact of transformational leadership on work engagement and performance further increases the possibility of a role for work engagement to mediate the effect of transformational leadership on performance.

The statement is that there is a positive influence between flexible work arrangements and work engagement. Previous research such as BujacZ et al. (2017), Conradie & De Klerk (2019), and Setiyani et al. (2019) supported it. The three studies state a positive influence between the flexible work-arrangement variables and work engagement. The statement proves the fifth hypothesis that flexible work arrangement positively influences performance. Kattenbach et al. (2011), Giovanis (2017), and Obisi (2017) previously have a similar result. The sixth hypothesis is the effect of seeing in table 5 has a value of 0.220, although smaller than the direct effect. The immediate impact of flexible work arrangements on work engagement and performance further increases the possibility of the role of work engagement to mediate the impact of flexible work arrangements on performance.

Buil et al. (2019), Alessandri et al. (2017), and Bhatti et al. (2018) supported the statement that there is a positive influence between work engagement on performance. Besides, compensation, competence, and other motivations can enlarge productivity (Susanto et al., 2021). In this case, the cafe owner needs to maintain
his team’s performance by retaining the spirit of his subordinates by giving praise to the performance of his associates and continuing to criticize by giving criticism that builds the competence of his employers to optimize performance.

5. CONCLUSION

This study concludes that transformational leadership significantly affects job involvement and performance. Likewise, flexible work arrangements significantly affect work engagement and performance. In addition, work engagement itself has a significant effect on performance. Job involvement has a role in mediating the indirect effect of transformational leadership and flexible work arrangements on performance. This conclusion implies that improving performance has an interaction in eliciting transformational leadership, flexible work arrangements, and work engagement. Practically this input to continue providing inspirational motivation: involve employees in work, provide intellectual stimulation so that subordinates feel enthusiastic. Also, the management gives their best dedication to the workplace, especially while management needs to maintain the policies, such as providing authority to determine their work schedules. Employees can balance time-related to work and their personal lives so that subordinates will work with enthusiasm and provide optimal performance due to working hours what they do by subordinates’ expectations.

In addition, management needs to conduct brainstorming and briefings before starting work to maintain communication between superiors and subordinates and achieve optimal performance. Owners need to keep their team’s performance by maintaining the enthusiasm of their teamwork by praising the performance of their subsidiaries and continuing to provide criticism that builds the competence of their subordinates so that their team’s performance can continue to show optimal performance.

6. REFERENCES


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