

# Transformational Leadership And Organizational Performance: Mediated By Employee Engagement In Public Organizations In Indonesia

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## Abstract

This study aims to determine the direct influence of transformational leadership on organizational performance, and the role of employee involvement in mediating the influence of transformational leadership on organizational performance. This research was conducted on public organizations in Indonesia. The study population is all functional employees of the Kendari City Government totaling 927 people. Sample determination using the Slovin formula with a precision of 5%, thus the study sample amounted to 279 respondents. Data collection using questionnaires and research data analyzed using smart PLS ver 3. Research results: transformational leadership has a positive and significant effect on organizational performance, transformational leadership has a positive and significant effect on employee engagement, employee involvement has a positive and significant effect on organizational performance, and employee involvement has a positive and significant effect in mediating the influence of transformational leadership on organizational performance, thus the nature of mediation is partial mediation. Transformational leadership provides subordinates with an understanding of the direction and challenges that will be faced by the organization, so that employees are motivated in carrying out their duties. Transformational leadership is also able to provide knowledge to employees so that employees are involved in activities that are their main duties and organizational activities, and employees are enthusiastic and full of dedication to carry out these tasks so that they have an impact on improving organizational performance.

**Keyword:** Transformational Leadership, Employee Engagement, Organizational Performance.

## I. Introduction

Human resource management is considered the most important asset of an organization, but very few organizations can fully utilize its potential (Ahmad & Schroeder, 2003). Human Resource Management (MSDM) is a basic input that contributes greatly to organizational performance (Armstrong & Taylor, 2020) and leadership is considered the most inevitable and critical aspect for the progress of the organization, especially transformational leadership that has a positive and significant relationship to organizational performance (Ahmad, Muhammad. Ejaz, 2019). According to Jensen et al. (2020) that transformational leadership positively affects various performance indicators, ranging from subordinates' perceptions of the effectiveness of the leader, the performance of the leader's work, sales performance, to profit. However, at the

organizational level, when enterprise performance is operationalized in terms of financial data, the relationship between transformational leadership and performance indicators is significantly smaller compared to the relationship between transformational leadership and subjective performance measures. Research by Lai et al. (2020) found that transformational leadership has no direct effect on hospital performance in Taiwan, but transformational leadership has a positive and significant effect on hospital performance when mediated by employee engagement.

Transformational leaders create greater involvement in the work of subordinates resulting in higher efficiency and satisfaction, thereby increasing the overall level of employee engagement in the organization. Research by Singh (2019) reveals that in today's aggressive business world, employee engagement has become an

indispensable element for organizational success and excellence. Similarly, research by Azim et al. (2019) revealed that transformational leadership has a positive and significant effect on employee engagement. Organizations need to implement transformational leadership to drive employee engagement. Research by Milhem et al. (2019) also found that transformational leadership has a positive and significant effect on employee engagement. Other research has also found that transformational leadership has a positive and significant effect on employee engagement (Balwant et al., 2020; Thisera & Sewwandi, 2018). Nevertheless, research by Mozammel & Haan (2016) research found that transformational leadership had no significant effect on employee engagement.

This is because by promoting employee engagement, it can reduce employee turnover, increase productivity and increase company profits. Thus, employee engagement can apply effective ways to develop employees and reward them to be an important determinant in the success or failure of the organization. Therefore, it is important for organizations to implement effective ways to increase employee engagement in order to improve organizational performance and be able to turn the organization into a kempetitive (Ghlichlee & Bayat, 2021).

The concept of employee engagement characterized by high energy and deep commitment has been introduced into the literature as a new way to redefine employee-organizational relationships (Eldor & Harpaz, 2016). Research by (Chen & Peng, 2021) in Taiwan found that increased employee work engagement is a key factor influencing business profitability. Several other studies have also found that employee engagement leads to business performance such as profit and market share, productivity, profit, quality, and customer satisfaction (Rees et al., 2013; Sundaray, 2011).

The importance of the role of employee engagement in mediating the influence of transformational leadership on organizational performance has been a recommendation from research by Tensay & Singh (2020) in order to increase employee engagement to encourage

improvement in organizational performance. Studies on leadership, employee involvement and organizational performance in addition to being carried out by private companies, are also important for public organizations to provide excellent service to the community that is fast, effective, transparent and accountable. For the Kendari City Regional Government, one of the organizational performance indicators is good service, and this is stated in the mission of Kendari City, which is to improve the quality of community services, especially the education, health and food security sectors. Also improve public services that use excellent information technology in all service units and regional device work unit.

Currently, the Kendari City Regional Government has directed each regional apparatus organization leader to implement efficiency and effective management of managerial and technical aspects to improve their performance in order to achieve performance targets and provide services and satisfaction for the community. In order to improve its performance, the Kendari City Regional Government organizes guidance to leadership elements in each OPD in order to complete the work target as planned so that the performance of the Kendari City Regional Government can be achieved. Thus, it is important to conduct a study on the role of employee involvement in mediating the influence of transformational leadership on the performance of the Kendari City Regional Government.

## II. Literatur Review

### 2.1. Transformational Leadership

The classic work of James MacGregor Burns (1978), introducing the concept of transformation and transactional leadership. Both concepts are needed, and Burns focuses more on relationships that stimulate each other and are able to turn followers into leaders and can turn leaders into moral agents. This mutuality deepens the work of the leader-follower theory, and adds a moral dimension. His work influenced many people especially Bernard Bass. He detailed the transformational leadership structure by including: 1) ideal behavior, 2) inspirational motivation, 3)

intellectual stimulation and 4) ideal attributes (Burns & Martin, 2010).

The theory of transformational leadership has developed very well (Grant, 2012), and provides a clear insight into the influence of transformational leaders on organizations. Some researchers have investigated the consequences of transformational leadership in employees such as creativity, commitment, and performance (Judge & Piccolo, 2004; Lowe et al., 1996). Transformational leadership controls the internal-external changes that individuals need to make for the achievement of organizational goals.

Bass theory centers on high-level change, especially in an effort to improve employee performance. Bass theorizes that there is a certain type of leader capable of transcending change to a higher level. The existence of change and inspiring people refers to this leader as transformational (Bass, 1995), and transformational leadership motivates employees to work with devotion and achieve organizational goals. Such a leadership style focuses on the benefits of employees, organizations and society beyond self-interest (Ergeneli et al., 2007). Leaders with this leadership style motivate employees to work longer with more production than expected (Bass & Avolio, 1995).

Burns (2010) defines transformational leadership as the interaction between the leader and the target audience, moral promotion and motivation. Transformational leadership is an attempt to raise awareness of the target audience and develop it in line with the ideal of equality in peace and tranquility, in which competition does not turn into hatred and jealousy, in which morals and motivation are prioritized (Burns, 2010). The transformational leader does not discriminate against his subordinates when handling targets. Leadership is just a process, while its impact on individuals is minimal and its impact on systems and institutions is at its highest level (Burns, 2010).

## 2.2. Employee Engagement

Role theory implies that individuals behave according to the functional, relational and structural features of the social units in which they coexist (Bruce J Biddle, 2013; Katz & Kahn, 1978). (B. J. Biddle, 1986) asserts, role theory concerns one of the most important features of

social life, patterns of behavior or typical roles. It explains the role by assuming that people are members of a social position and have expectations for their own behavior and that of others. As a conceptual lens, role theory helps to systematically organize their assumptions with regard to how the role of individuals in groups is assumed and develops to form interpersonal interactions (Bruce J Biddle, 2013). In an early study, Graen & Schiemann (2013) revealed that "members of the organization get their work done through roles", and that the application of roles acts as a means to organize team-level processes.

Employee engagement as 'the utilization of members of the organization' to play a role in their work; in engagement, people employ and express themselves physically, cognitively, and emotionally during the course of carrying out their roles (Kahn & Kahn, 2010). Harter et al. (2002) state that engagement is the involvement and satisfaction of individuals with and enthusiasm for work. Employee engagement as a distinct and unique construct consisting of cognitive, emotional and behavioral components related to individual roles (Saks, 2006).

Employee engagement is defined as a persistent state of positive affective-motivation satisfaction in employees characterized by a high level of activation and pleasure (Maslach et al., 2001). Employee engagement is defined as the high emotional and intellectual connection that an employee has for his work, organization, manager, or co-worker which in turn influences to apply additional discretionary efforts to his work (Alfes & Shantz, 2011). Employee engagement as an employee's individual cognitive, emotional, and behavioral state directed towards the desired organizational outcome (Shuck & Wollard, 2010).

Involvement as a psychological presence but further states that it involves two important components: attention and absorption. Mindfulness refers to cognitive availability and the amount of time a person spends thinking about roles while absorption means being engrossed in roles and refers to the intensity of one's focus on roles (Rothbard, 2001). Employee engagement as an emotional and intellectual commitment to the organization (Saks, 2006) and a representation of the level of personal commitment that employees

are willing to make or to invest in their work (Macey & Schneider, 2008).

### 2.3. Organizational Performance

Goal-setting theory rests on the belief that life is a goal-oriented process of action. Goals can be defined as the results achieved by the individual. In organizations, people are motivated to direct their attention towards and achieve goals (Locke & Latham, 2019). According to goal-setting theory, the highest level of performance is usually achieved when goals are difficult and specific. The more difficult a goal is given to a person, the greater the resulting level of performance. When specific and difficult goals are set for an employee, then the achievement of the goal gives the employee an objective and unambiguous basis for evaluating the effectiveness of their performance (Locke & Latham, 2019). The goal affects the level of performance by influencing the direction of the action, the degree of effort made, and the diligence of the action over time. For example, when an employee is told to improve quality and not make mistakes, the employee will focus his energy on producing a higher quality product than when the employee is only told to "do his best" on the task.

Performance is defined as the degree of achievement of goals related to work (Zafar & Hafeez, 2016). Cascio (2006) shows that when employees become successful in achieving their goals related to work then the organization becomes successful in achieving superior performance because employees strive to achieve organizational goals. Performance is defined as the achievement of a task. Stannack (1996) also points out that many researchers use the term performance to measure the efficiency of inputs and outputs. Heffernan & Flood (2000) explore that organizational performance not only defines problems but also provides solutions to those problems. Organizational Performance is the ability of an organization to complete its goals by using its resources efficiently. Richard & Johnson (2001) explains that if an organization has achieved its goals then it is called organizational performance. When the organization shows superior performance then it indicates that it is obtaining a higher return on equity and this is

possible only if the employee shows good performance.

## III. Hypothesis

### 3.1. Transformational leadership and organizational performance

Transformational leadership is defined as a set of leadership behaviors that change and motivate followers to perform beyond their own expectations, focusing on increasing follower engagement with organizational goals (Bass, 1985). Transformational leadership is one of the best methods to improve individual and group performance (Bass, 1985). Transformational leaders motivate followers to mobilize and explore existing and new prospects. Transformational leadership proactively helps followers to achieve goals with high standards (Antonakis, Avolio, & Sivasubramaniam, 2003). Transformational leaders move followers beyond self-interest (Bass, 1999). Transformational leadership creates an environment where employees are motivated and energized (De Jong & Bruch, 2013). Motivated employees work in a climate that supports providing more effective customer service, strengthening organizational performance and leading to financial benefits for the company (Giroux & McLarney, 2014).

Previous research has found that leadership has a positive and significant effect on organizational performance (Ahmad, Muhammad. Ejaz, 2019; Al Khajeh, 2018). Research by (Jensen et al., 2020) found that transformational leadership positively affects various performance indicators of public companies in the United States and Europe, ranging from subordinates' perceptions of leader effectiveness, leader work performance, sales performance, to profit. Thus the research hypothesis:

H1: Transformational leadership has a positive and significant effect on organizational performance.

### 3.2. Transformational leadership and employee engagement

Leaders influence employees to be aware of important things that will make them see new

perspectives on the challenges they face (Avolio & Bass, 1995). Transformational leadership is also associated with high employee engagement. Chance & Segura (2009) posit that successful managers use transformational leadership styles.

Transformational leaders increase stakeholder knowledge to motivate them to meet organizational goals, employee engagement sustains and increases the overall profitability of the organization (Marks & Printy, 2003). Transformational leadership is the type of leadership needed today to facilitate employee engagement (Pounder, 2006). Transformational leadership pays attention to the personal needs of followers, provides support to them and trains or guides them individually (Bass, 1995). Because the leader acts as an agent of the organization (Wang & Walumbwa, 2007). Research of Singh (2019) reveals that transformational leaders create greater engagement in the work of subordinates resulting in higher efficiency and satisfaction, thereby increasing the overall level of employee engagement in the organization. Thus the research hypothesis:

H2: Transformational leadership has a positive and significant effect on employee engagement.

### **3.3. Employee engagement and organizational performance**

Employee involvement is one of the results of the perception of human resources (HR) which will affect organizational performance. Gupta & Sharma (2016) explore how to make engaged employees responsible for high organizational performance (employee intent to stay, low turnover, productivity, profitability, customer safety and loyalty, health and well-being). In addition, Truss et al. (2013) reviewed high levels of engagement related to high levels of performance, civic behavior, and individual well-being. Other studies Harter et al. (2002) has shown that employee engagement predicts organizational performance such as customer satisfaction and profitability and earnings per share. In addition, the findings of a survey of Harvard Business Review analytical services among best-in-class companies show that they see engagement as a very important priority. This group of companies called high priority and effectively uses best practices to tie

employee engagement to organizational performance.

Chen & Peng (2021) in the study found that more engaged frontline service employees will win customer awards for their service performance. In addition, increasing the work engagement of frontline service employees is a key factor affecting the profitability of the business. Jha & Kumar (2016) posit that the employee involved is someone who understands the role in business strategy and has a strong emotional commitment to the organization and increases competitiveness. Similarly, the research of Ghlichlee & Bayat (2021), Tensay & Singh (2020), Adekoya et al. (2019) found that employee engagement has a positive and significant effect on organizational performance. Thus, the research hypothesis is:

H3: Employee engagement has a positive and significant effect on organizational performance.

### **3.4. The role of employee engagement in mediating transformational leadership and organizational performance**

Leadership always plays an important role in the operation of an organization. Marescaux et al. (2019) in their study suggested that leadership is one of the important factors in the effectiveness of human resources. Leadership represents the informal behavior of the leader towards employees, which indicates the educated relationship of the employee with the leader (Marescaux et al., 2019). (Purcell & Hutchinson, 2007) show that there is an effect of leadership behavior in improving employee work attitudes and behaviors. Given that transformational leadership involves concern for the needs of employees and attention to providing them with coaching and training may be expected so as to strengthen the relationship of social exchanges with employees (Wang & Walumbwa, 2007).

Transformational leadership theory suggests that outstanding leaders have a tremendous influence on their followers (Dvir & Shamir, 2003). Such a leader transforms the needs, values and preferences of followers from the goal of self-interest to the goal of collective interest. Furthermore, they are more likely to engage followers to commit to these goals, be willing to make personal sacrifices for the benefit of

collective goals, and ultimately perform beyond the call of duty. Previous research supports a positive relationship between transformational leadership and member task performance and helpful behaviors (Chun et al., 2016). This study shows that work engagement underlies this positive influence. In particular, transformational leaders enhance member engagement by articulating meaningful goals, offering a safe and supportive environment, and providing accessible resources. These engaged members are then more willing to invest their physical, cognitive, and emotional energy in performing their job roles. Research by Lai et al. (2020) found transformational leadership had a positive and significant effect on hospital performance when mediated by employee engagement. Thus the research hypothesis:

H4: Employee engagement has a positive and significant effect in mediating the influence of transformational leadership on organizational performance.

#### **IV. Measurements and Data**

##### **4.1. Measurements**

The measurement of transformational leadership refers to the opinion of Avolio & Bass (1995) that the four dimensions of transformational leadership, namely: a) Ideal influence, refers to leaders who influence employees to follow them and act as role models, b) Inspirational motivation, it refers to a leader who stimulates the employee's level of motivation beyond their expectations to achieve organizational as well as personal goals, c) Intellectual stimulation, refers to a leader who stimulates an employee's ability to think outside the box while solving problems and refreshing their minds, d) Individual consideration, refers to a leader who pays attention to each employee by personally listening to their problems and providing support to employees.

Measurement of employee involvement refers to the research of Memon et al. (2021), Alima Aktar (2018), namely: a) Passion, refers to "a high level of energy and mental resilience at work, willingness to invest effort in one's work, and perseverance even in the face of difficulties, b) dedication, refers to "a sense of importance,

enthusiasm, inspiration, pride, and challenge, c) absorption, the employee is fully concentrated and very engrossed in his work, where time flies quickly and a person has difficulty breaking away from work.

Chand & Katou (2007) uses several organizational performance variables, namely: a) Productivity, is a measure that states how well resources are organized and utilized to achieve optimal results. According to Mohamed et al (2019) productivity items include: optimal quality is achieved in a department, quantity benchmarks are met by a department, resources are used in the most efficient way by the department, the time when task completion is fulfilled by the department, the institution has mastered itself in carrying out its duties, c) Achievement of goals, describing the achievement of the goals of a work unit based on planning, d) Good service, is the provision of services (serving) the needs of people or communities who have an interest in the organization in accordance with the main rules and procedures set, through: politeness and friendliness in serving, having competence in explaining work mechanisms in their work units, having the ability to explain services, trust and willingness to help, responsiveness to customer requests, ease of handling complaints, attention to customer complaints (Ramayah et al., 2011).

##### **4.2. Data**

The population of this study is all civil servants of the Kendari City Government who have functional positions totaling 927 people. Sample determination using the Slovin formula with a precision of 5%, thus the study sample amounted to 279 respondents. Data collection uses questionnaires, and statement items have five categories, namely: strongly agree, agree, neutral, disagree and strongly disagree. The questionnaire has been distributed to respondents and all respondents filled out the questionnaire.

#### **V. Result**

##### **5.1. Deskriptive Statistics**

Descriptive analysis displays the average value (mean), maximum value, minimum value and

standard deviation of each indicator used. The descriptive statistical values contained in Table1 show that all indicators obtained mean values

greater than the standard deviation. This indicates that the current mean value indicates a good representation of the overall data.

Table1: Deskriptive statistics

	Mean	Median	Min	Max	Standard Deviation
X22	4.26	4.00	3.00	5.00	0.437
X23	4.01	4.00	2.25	5.00	0.515
X24	3.76	3.75	2.00	5.00	0.476
Z01	4.24	4.00	3.00	5.00	0.479
Z02	4.21	4.00	3.00	5.00	0.511
Z03	4.19	4.00	3.00	5.00	0.484
Y01	4.07	4.00	2.67	5.00	0.43
Y02	4.11	4.00	2.67	5.00	0.455
Y03	4.12	4.00	3.00	5.00	0.399

## 5.2. Inferential Statistics

Table2: Outer loading

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
X01 <- Transformational leadership	0.795	0.795	0.030	26.180	<b>0.000</b>
X02 <- Transformational leadership	0.895	0.896	0.012	75.725	<b>0.000</b>
X03 <- Transformational leadership	0.708	0.708	0.050	14.136	<b>0.000</b>
X04 <- Transformational leadership	0.664	0.661	0.047	14.007	<b>0.000</b>
Y01 <- Organizational performance	0.880	0.879	0.018	49.017	<b>0.000</b>
Y02 <- Organizational performance	0.909	0.908	0.014	64.449	<b>0.000</b>
Y03 <- Organizational performance	0.882	0.881	0.015	57.697	<b>0.000</b>
Z01 <- Employee engagement	0.899	0.899	0.012	76.286	<b>0.000</b>
Z02 <- Employee engagement	0.902	0.902	0.019	47.601	<b>0.000</b>
Z03 <- Employee engagement	0.910	0.910	0.012	76.450	<b>0.000</b>

The outer loadings value as presented in table2 shows that all indicators have an original sample value greater than 0.5 and a p-value smaller than 0.05 thus all indicators are able to reflect their variables.

Table3 shows that the contribution of transformational leadership variables to employee engagement is 0.322. Meanwhile, the contribution of transformational leadership variables and employee involvement to organizational performance was 0.521. Meanwhile, the Q-Square value of 0.675 which reflects that the contribution

of transformational leadership variables and the role of employee engagement variables as mediation variables to organizational performance is 0.675 or with a good level of solidness.

Table3: R-Square

	R Square
Employee Engagement	0.322
Organizational performance	0.521
Q-Square (predictive relevance)	0.675

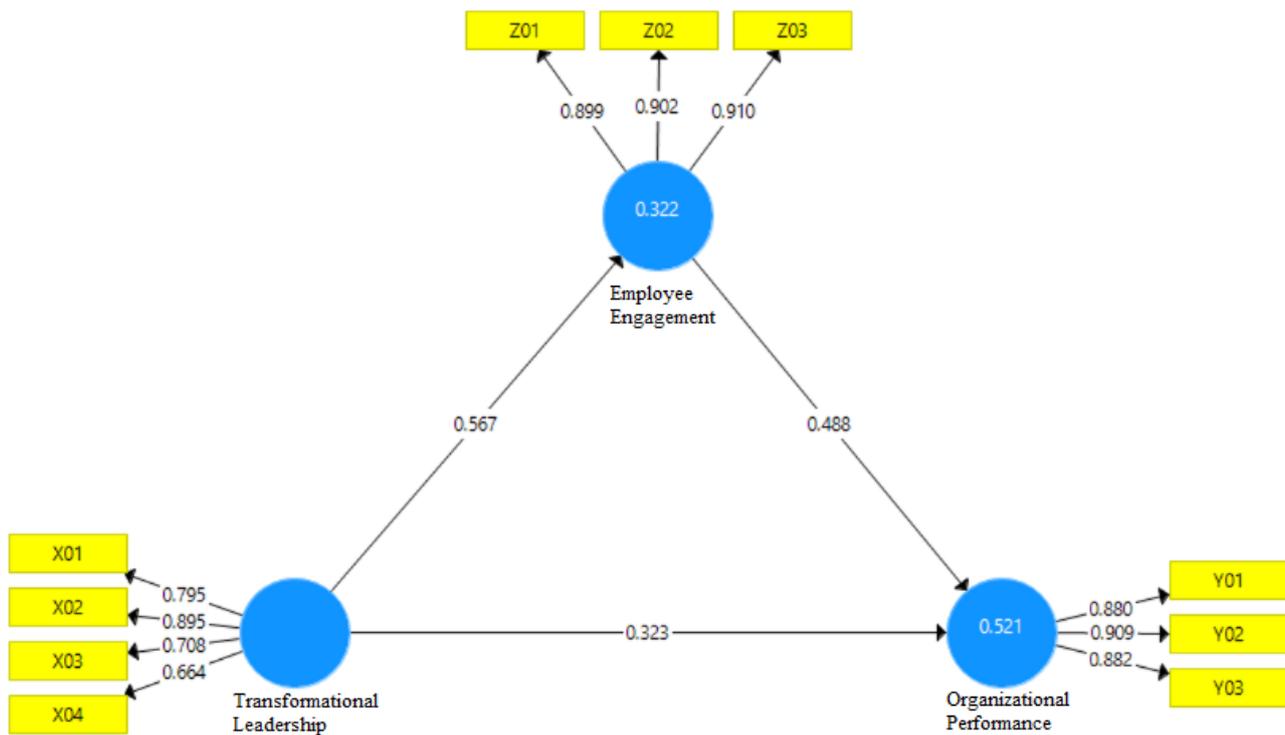
The value of the path coefficient as presented in table 4 shows that the direct influence, namely:

transformational leadership on employee engagement, transformational leadership on organizational performance, and employee creativity on organizational performance has a positive original sample value and each p-value is smaller than 0.05, it is stated to be significant. Similarly, the indirect influence of transformational leadership on the kineja of the organization mediated by employee involvement is also significant thus the nature of the mediation variable of employee involvement is partial mediation.

Table4: Path Coeficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Employee engagement -> Organizational performance	0.488	0.489	0.053	9.163	<b>0.000</b>
Transformational leadership -> Employee engagement	0.567	0.571	0.044	12.978	<b>0.000</b>
Transformational leadership-> Organizational performance	0.323	0.321	0.056	5.750	<b>0.000</b>
Transformational Leadership -> Employee engagement -> Organizational performance	0.277	0.279	0.037	7.393	<b>0.000</b>

Figure1: Empirical model



## VI. Discussion

The coefficient of transformational leadership path to organizational performance is 0.323 and p-value is 0.000 or significant at the level of 1%. This shows that the application of transformational leadership will raise the enthusiasm of employees in carrying out their duties because employees know the goals of the organization so that organizational performance increases. This finding is supported by Bass (1995) opinion that transformational leadership transforms and motivates subordinates to perform beyond their expectations by focusing on improving organizational goals. Transformational leadership proactively assists subordinates in achieving organizational goals (Antonakis et al., 2003). Work-motivated employees will strengthen the performance of the organization leading to financial benefits for the company (Giroux & McLarney, 2014). Similarly, the research findings that transformational leadership has a positive and significant effect on organizational performance (Ahmad & Schroeder, 2003; Al Khajeh, 2018; Jensen et al., 2020).

The coefficient of transformational leadership path to employee engagement is 0.567 and the p-value is 0.000 or significant at the level of 1%. The application of transformational leadership has an impact on employee knowledge about new things that must be prepared by the

organization, besides that employees know the challenges faced by the organization so that they will always be involved in activities that are their main tasks and other activities of the organization. This is supported by the opinion of Avolio & Bass (1995) that leaders who implement transformational leadership will influence employees so that they are aware of the important things and know new perspectives on the challenges they face. Leaders who implement transformational leadership can increase stakeholder knowledge to motivate them to engage in organizational activities (Marks & Printy, 2003). Transformational leadership facilitates employee engagement (Pounder, 2006). Transformational leadership pays attention to the personal needs of followers, provides support to them and trains or guides them individually so that the leader acts as an agent of the organization (Wang & Walumbwa, 2007). Transformational leadership creates greater engagement in the work of subordinates resulting in higher efficiency and satisfaction thereby increasing the overall level of employee engagement in the organization (Singh, 2019).

The coefficient of the path of employee involvement in organizational performance is 0.488 and the p-value is 0.000 or significant at the level of 1%. This shows that employees who are involved in carrying out their main duties and are

also involved in organizational activities can be achieved so that they can improve organizational performance. Employee involvement is the result of the perception of human resources that affect organizational performance (Ferry, 2016). Employees who are always involved in the activities of the organization make employees responsible for the performance of the organization (Gupta & Sharma, 2016). High employee engagement impacts high-level performance (Truss et al., 2013). Employee engagement predicts organizational performance such as customer satisfaction and profitability (Harter et al., 2002). More engaged employees will win customer awards so it is a key factor influencing the improvement of organizational performance (Chen & Peng, 2021). Previous research has also found that employee engagement has a positive and significant effect on organizational performance (Adekoya et al., 2019; Ghlichlee & Bayat, 2021; Tensay & Singh, 2020).

The coefficient of indirect influence of transformational leadership on organizational performance is mediated by employee engagement of 0.277 and a p-value of 0.000 or significant at the level of 1%. This shows that the application of transformational leadership will increase the enthusiasm and dedication of employees so that it has an impact on improving organizational performance. Transformational leadership plays an important role in the organization because it shows the relationship between employees and leaders (Marescaux et al., 2019). The impact of transformational leadership behavior improves employee work attitudes and behaviors (Purcell & Hutchinson, 2007). Transformational leadership involves caring for employee needs so as to strengthen social exchange relationships with employees (Wang & Walumbwa, 2007). Transformational leadership enhances the work engagement of employees who are able to articulate goals, offering a safe environment so that employees are more willing to invest their physical, cognitive, and emotional energy in performing their job roles (Lai et al., 2020).

## VII. Conclusion

This study examines the influence of transformational leadership on organizational

performance mediated by employee engagement. The results showed that leaders who apply transformational leadership are able to motivate subordinates to focus on organizational activities, employees who are motivated to work will strengthen organizational performance so that organizational goals can be achieved. The application of transformational leadership can also increase employee engagement due to the increase in employee knowledge about new things and challenges that will be faced by the organization, so that transformational leadership becomes a means of increasing employee resources. In addition, employee involvement also plays a role in mediating transformational leadership towards organizational performance and the nature of mediation is partial mediation. This shows that through employee involvement, the tasks directed by the leader can be carried out by employees so that organizational goals can be achieved. Transformational leadership will improve employee attitudes and behaviors that lead to organizational goals. Therefore, it is important for local governments as public organizations to implement transformational leadership in order to increase employee engagement and organizational performance.

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