

The Influence of Effective Leadership Styles and Appraisal System towards Employee Performance

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ABSTRACT

Objective – The objective of this study is to investigate how the application of appraisal systems and effective leadership styles using transformational and transactional theories can significantly affect employee performance in a company or organization.

Methodology – For this study, data on the effective leadership style of employees in Jakarta was collected and analyzed to determine the relationship between their effective leadership style and appraisal system and the employee performance.

Findings – Results showed that transformational leadership style was positively associated with employee performance; transactional leadership style, on the other hand, produced a different result. In addition, the results showed that appraisal system was positively associated with employee performance.

Novelty – This study extends past research by examining the differential aspects of both transformational and transactional on leadership styles.

Keywords: *transformational leadership; transactional leadership; appraisal systems; employee performance*

JEL Classification: G30, M1, M10

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I. INTRODUCTION

Leadership is an ability to inspire and lead people in an organization to achieve objectives (Korejan & Shahbazi, 2019). This is an important element to ensure the sustainability of the organization, not only because dynamic environment but also the challenges and difficulties that organizations face daily. When the global business environment becomes increasingly competitive, a manager's leadership style will be a crucial factor in driving efficiency and employee productivity levels because employees are the main driving force of the organization (Wen et al., 2019). The leader of an organization defined as someone who holds substantial power. They have formal or informal rights to make important decisions that affect others in the organization. If leaders cannot control their followers completely, and if they do not hold absolute power, then effective leadership requires them to use their limited power diligently and wisely (Sloof & Siemen, 2019).

Effective leadership is the most important part of the overall method for the organization to maintain the performance of its employees (Hao and Yazdanifard, 2015). Thus, their business can constantly face problems caused by rapid growth of various external influences. The characteristic of effective leaders is that leaders provide a clear picture of direction to their employees (Wasim & Imran, 2010). In the past few years, many studies have been carried out by researchers on different types of leadership and researchers in this field have added a lot of significant knowledge about leadership styles, qualities, behaviors, leader and follower relationships and other related areas (Khalil & Siddiqui, 2019). Previous research found that leaders who use transformational leadership are expected to improve the performance capacity of their followers by setting higher expectations and producing willingness to tackle more difficult challenges. While transactional leadership has a relationship positive impact on employee performance where their

leaders have clarified expectations and recognize achievements that positively contribute to higher levels of effort (Bass et al., 2003).

Employee perceptions on the effectiveness of the performance appraisal system should be measured by the level of accuracy and fairness felt by every employee (Sharma et al., 2016). Every leader has a different performance appraisal system towards their employees. Previous research studies discussing performance feedback indicated that most of the time feedback interventions had made a negative impact on employee performance (Cannon & Witherspoon, 2005). On the other hand, employees experience an increase in performance when they receive positive feedback results and change orientation.

The reason the researcher only conducted the study in Indonesia is because they feel that there are many types of leadership applied by the leaders there. In addition, some companies still have leaders who are subjective to the appraisal system. This is an aspect to find out the leadership behavior in the company by means of different leadership and appraisal systems.

This study identifies several research questions that need to be addressed: (1) Do leaders who use transformational theory as effective leadership have an influence in improving employee performance? (2) Do leaders who use transactional theory as more effective leadership have an influence in improving employee performance rather than the transformational? (3) Do appraisal systems have a positive relationship with improving employee performance?

The objective of this study is to provide comprehensive evidence on the effect of effective leadership styles using transformational and transactional theory, as well as an appraisal system to improve employee performance in the company. This study further investigates the effect of the two variables with data analysis to explain whether it is true that employee performance is influenced by the effective leadership styles and appraisal system of the leader.

The main contributions of current study to the existing literature are three-fold. First, this study expands on the previous literature by providing empirical evidence of the influence of effective leadership styles based on two theories and an appraisal system on employee performance. Second, this research adds new analysis and provide benefits for leaders or human resources to provide effective leadership and an objective appraisal system with the employee's condition. Finally, this study extends previous research that does not use the concepts of transactional and transformational leadership theory.

The remainder of this paper will cover the following sessions. Session 2 will review previous literature, such as theories on effective leadership styles, empirical studies of previous research, and leadership and appraisal systems on employee performance. Section 3 describes the research methodology. Section 4 will present the empirical evidence and discuss the research. Finally, section 5 will conclude the paper.

II. LITERATURE REVIEW

The Theories of Effective Leadership Styles and Appraisal Systems

Through this study, the theory of effective leadership style can be explained in two theories: transactional leadership theory and transformational leadership theory. According to McShane and Glinow (2010), transactional leadership can be referred to as '*managing*' or '*doing something right*' because the leader concentrates on improving employee performance and welfare. They also state that transformational leadership can be called '*leading*' because it focuses on creating and changing strategies to adapt to the circumstances and situations at hand. Both sound good to apply in a company or organization, but it also depends on the leaders. If leaders cannot fully control their members, then effective leadership requires them to use their power wisely (Sloof & Siemens, 2019). Now, these two leaderships will be explained in more detail in the next paragraph.

Transactional leadership theory has many different components to create effectiveness, including commitment, loyal, and satisfying followers. It can be said effective style if leader is in crisis, chaotic environments, and during times of uncertainty (Ma & Jiang, 2018). Leaders who adhere to this theory believe that contingent rewards are the most effective way to appreciate employee performance. The reward means that employees can receive their incentives after they have completed all their tasks. Also, this form of reward is transactional, which means materially, such as a bonus (Breevart et al., 2013). Transactional leadership prioritizes employee compliance by attracting them to the individual's needs and wants (Sarros & Santora, 2001). On the other hand, this leadership theory can allow followers to fulfil their interests and minimize anxiety at work. Employees will be given instructions. Then once the structure and requirements

are learned, it is easy for members to complete tasks successfully. This workflow also allows for quality improvement, customer service, cost reduction, and increased production.

Next, transformational leadership is a leadership theory where the leader has a character that can inspire, motivate, encourage, and convince their employees to bring them positive vibes and good change. Leaders who adhere to this theory always prioritize employee motivation, inspiration, and morale of the employees. This kind of leader can be a role model because he does not require his followers to work with many terms and conditions. Transformational leaders place themselves on the importance of change and develop their experience of a clear vision with the stakeholders, especially employees. They can do that to inspire the employees for better organizational change. In addition, employees will believe that the quality of a leader who adheres to this transformational system is to improve cognitive processes and control the emotional stability of their employees will affect continuous employee improvement efforts (Ullah et al., 2021).

Apart from the leadership theory that has been discussed, appraisal theory also become the crucial theory to leader for monitoring employee performance. Effective leaders will always pay attention to how they appraise the hard work of their employees. Fugate et al. (2011) have stated that appraisal systems of employees can frame the way employees perceive organizational or company changes. Since, every company have experienced organizational changes in the work system, so the employee's appraisal will become something important. Appraisal theory is related to the concept of the relationship between the appraisal system and emotions. Synchronous appraisals and emotions become very important during organizational changes because negative emotions can cause negative appraisals and vice versa. In addition, performance appraisal systems are a combination of two aspects that make up the quality of the work appraisal systems: performance appraisal treatment and performance of appraisal procedures (Su & Baird, 2017). One of the things that can make employees to feel belittled is the existence of performance evaluation criteria, so that this can lead to negative attitudes towards their work employees and the organization.

Those theories described above indicate that both transformational and transactional leadership have both positive and negative sides. Likewise with appraisal theory which emphasizes more on organizational situations where the employees and leaders must control emotions well to create a positive work-environment. Also, this research study will focus on what the most effective leadership style and appraisal systems that impact to the employee performance.

Previous Empirical Studies

The decision to become a leader is not an easy action. In carrying out its execution, the leader certainly feels worried if there are complaints from his employees during the leadership period. However, if someone wants to be an effective and independent leader, they can choose which theory they will use, transactional or transformational leadership. Both ideas have negative and positive impacts when applied to employee performance.

Transactional leadership can be effective if the environment is chaotic in a crisis, and there are no rules. They direct the employees through clarifying roles and detailing tasks associated with punishments and rewards. If employees can complete all their duties well, the leader will reward them. That makes employees motivated always to maintain their performance. Organizations or companies realize that to survive in a dynamic work environment and maintain productivity to gain excellence, they must maintain the performance of their employees (Khalil & Siddiqui, 2020).

Then, transformational leadership also becomes an effective way for leaders to be applied in regular company or organizational situations. Leaders who embrace transformational use intellectual stimulation to shape their employees' imagination, mindset, and beliefs, so they feel more competent and confident in completing each task (Ma & Jiang, 2018). Since leaders in transformational leadership tend to emphasize the self-concept and sense of self-efficacy of their employees, they are given the opportunity themselves beyond the leader's expectations. Transformational leader's expectations influence their employees through their optimism and buffering the frustration impacts employee performance.

In addition to the effectiveness of transformational and transactional leadership styles that can affect employee performance, appraisal systems will also support their implementation. The appraisal system itself has two aspects that can significantly impact the performance of employees through appraisal procedures and performance appraisal treatment. Performance appraisal procedures mean that employee performance appraisals can be measured by the clarity of expectations for future performance and the level of communication with different groups. Meanwhile, performance appraisal treatment can be measured by

the trust in supervisors and justice who processes performance appraisals (Su & Baird, 2017). The quality of several aspects of this appraisal factor, apart from supporting employees to keep good performance, can also see how far their commitment is with our organization or company.

Leadership and Appraisal Systems on Employee Performance

Leadership is a significant thing in overcoming job performance problems. That is because a leader can change the performance of a unit in the event of organizational changes. Leadership has an effective influence on the level of employee performance in completing their work. Employees can be motivated to work harder with the help of a leader who supports them through different leadership styles and specific methods, for example, by providing formal rules and regulations, compensation, and benefits. Likewise, with appraisal systems, this system is carried out to monitor employees or members in specific organizations and ensure whether organizational goals have been achieved or not.

Both leadership and appraisal systems also can work together to create work engagement between leaders and the employees. When the leader has engaged the employees, it is possible to claim that they have good performance while working. There are four things that leaders must pay attention to regarding appraisal systems. First, clarity which means that leaders must be able to explain the company's goals and provide explicit role expectations to reduce the stress level of their employees. Second, communication means that leaders must provide opportunities for employees to express problems or complaints at work. However, the leader is also still willing to provide feedback for their problems. Third is fairness means that leaders must be able to provide a fair performance appraisal process or evaluation to every employee to improve their performance for the better. Last, trust means leaders must be able to maintain employee trust as competent and professional because the higher their level of trust, the more positive vibes will be for them when completing the job tasks.

Since the leaders may not always be aware that their leadership style can affect the performance of their employees, employees also have the right to remind and provide feedback to their leaders about their behavior and attitude (Breevart et al., 2013).

This research contributes to the existing literature in two ways. First, this study will analyse how leadership and appraisal systems can affect improving the employees' job performance. Also, this research on leadership styles and appraisal systems will become more comprehensive and robust through the results of the analysis and the sample size used.

Research Framework

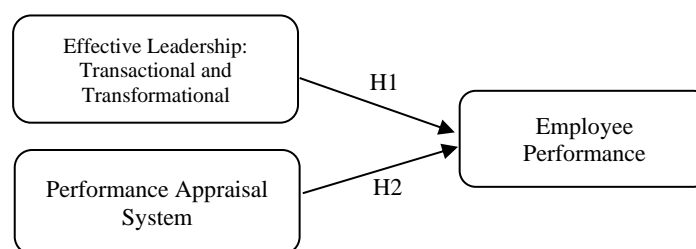


Figure 1. Conceptual Framework

Figure 1 illustrates the conceptual framework of this study. It examines the relationship between effective leadership styles and employee performance (H1) and the association between appraisal systems and employee performance (H2). So, we can see that independent variable are the effective leadership styles, which include transactional leadership theory and transformational leadership theory, and the appraisal systems. Meanwhile, the dependent variable is employee performance, with the control variables including performance appraisal treatment and performance appraisal procedures. In this study, the researcher does not use mediating and moderating variables.

Hypothesis Development

The main objective of this study is to examine the relationship between leadership styles and appraisal systems, and employee performance. This study will also assist leaders in finding the most effective leadership styles to improve employee performance. The first hypothesis will be developed through transactional theory and some previous empirical evidence. The transactional theory approach itself has been associated with duty, fairness, honesty, and keeping promises. These values will indirectly be embedded in their employees while working.

The previous empirical study tends to negatively impact the employee because employees are only focused on targets and rewards without thinking about the effect on their condition. Those core principles can make employees feel pressured, so leaders who embrace transactional leadership can also reduce employee performance (Young et al., 2020).

Moreover, another empirical study said that transactional could become the effective style if the leader is in crisis, chaotic environments, and during times of uncertainty (Ma & Jiang, 2018). Leaders in transactional leadership tend to give some rewards to their employees. The reward/prize means that employees can receive their incentives after they have completed all their tasks. Also, this form of compensation is transactional, which means materially, such as a bonus (Breevart et al., 2013). Of course, it makes them happy because they get an additional income from their work. Therefore, according to those arguments, the hypothesis is:

H_{1A}: Transactional leadership significantly influence on employee performance

The transformational theory will also support the conceptual framework. Transformational leadership faces reality based on employee knowledge, intellectual, and learning. Thus, leaders can positively influence the learning process at work, challenging employees to innovate for the organization and improve their performance. Transformational leadership inspires organizational learning by assisting corporate members in finding mental models to systematically develop the vision (Garcia-Morales et al., 2008).

The previous empirical study has shown that leaders who use transformational theory will continue to pay attention to employees and listen to all forms of their aspirations. The research shows that the support provided by the leader can deal with and protect employees from stress or severe pressure and fatigue (Skakon et al., 2010). Since leaders in transformational leadership tend to emphasize their employees' self-concept and sense of self-efficacy, they are given the opportunity themselves beyond the leader's expectations. Transformational leader's expectations influence their employees through their optimism and buffering the frustration impacts employee performance.

Moreover, it is reported that transformational leadership can be ineffective if the leader cannot regularly communicate with his employees. If communication is not established intensively, then the team will feel uninterested in carrying out the leader's instructions, reducing their performance at work. This study will expand research on the relationship of transformational leadership styles to the implementation of company employees by developing the following hypotheses:

H_{1B}: Transformational leadership significantly influence on employee performance

Another factor that can influence employee performance is appraisal systems. The appraisal system itself has two aspects that can significantly impact the performance of employees through appraisal procedures and performance appraisal treatment. Performance appraisal procedures mean that employee performance appraisals can be measured by the clarity of expectations for future performance and the level of communication with different groups. Meanwhile, performance appraisal treatment can be measured by the trust in supervisors and justice who processes performance appraisals (Su & Baird, 2017).

In performance appraisal procedures, company leaders or CEOs must take responsibility and continue to communicate with different levels in the company group, such as Department Managers and Human Resources Managers, to develop their company. Leaders should convey their vision and job description to their employees, for example, Department Managers; they should be responsible for recommendations for salary adjustments, changes in job titles, or job responsibilities with each employee. With a close communication network between the leader and his employees, employees will feel comfortable because they always get support from the leaders every time, they complete a job.

Then, in the performance appraisal treatment, performance feedback from supervisors can affect employee performance. Good feedback can give them the motivation to continue to improve their

performance and vice versa. The relationship between employee performance rating scores and receiving feedback can be seen from how they react to their respective evaluation reports.

In the previous study, the empirical has shown that employees who cannot accept or disagree with the self-evaluation results are caused by the information obtained from their supervisors that is not clear and not following the progress they have made (Sharma & Sharma, 2017). Perceived fairness and accurate feedback become one of the determinants for employees to improve performance. Receiving performance feedback can also increase self-efficiency among employees with that feedback. Based on this discussion, so the hypothesis is:

H₂: There is a positive relationship between appraisal systems and the employee performance

III. METHODOLOGY

This study will use quantitative research that explained the relationship between variables measured numerically and analyzed using statistical ranges. This study's source of data is primary data through an online questionnaire related to the relationship between effective leadership styles and appraisal systems that will affect employee performance. In collecting research data, three variables are to be analyzed: effective leadership styles (transactional and transformational), appraisal systems (performance appraisal treatment and performance appraisal procedures), and good employee performance. Then, to investigate the impact of effective leadership styles and appraisal systems, the questionnaire of this study will be distributed to 100 permanent employees and apprentices, both male and female, in various companies in Indonesia.

Two instruments will be used to measure the research variables. First, using the Multifactor Leadership Questionnaire (MLQ). This questionnaire is used to measure transactional and transformational leadership styles through psychometric features. This feature has been successfully validated by more than 7000 samples of respondents in the US (Hinkin & Schriesheim 2008). Participants will be asked to describe their supervisor's leadership behavior on a scale from 1 to 5 (1 = not at all; to 5 = not always). Second, by using the Job Satisfaction Survey, which contains 20 items to measure five faces of job satisfaction. Respondents will be asked to answer a survey based on a five-point Likert scale starting from a scale of 1 to 5 (1 = strongly disagree; to 5 = strongly agree). Aspects to be measured in the job satisfaction survey such as supervision, benefits, rewards, operating procedures and co-workers' satisfaction towards leadership behavior from their supervisors.

Research Variables

Employee performance has job satisfaction survey as an indicator to make sure the variable will be valid. Job satisfaction can be defined as a set of feelings and emotions that can be beneficial or detrimental employees when they see their work.

Effective leadership styles have two indicators, transactional and transformational leadership. Transactional leadership directs and drives forward more efficiently by clarifying roles and task requirements. Then relate it to domestic rewards and punishments (Robbins, 2003). Also, transformational leadership in companies is a way for leaders to provide followers with highly motivating inspiration to achieve their vision, make changes and innovate. For the appraisal system, the key indicators will be used are fairness and openness.

For the purpose of this study, the researcher will use one dependent variable (Y), which is the Employee performance and two independent variables (X), which are Effective leadership styles and Appraisal systems.

Samples

The study begins with a survey result on the number of participants who have filled out the questionnaire. The questionnaire survey results were distributed to 54 employees who are currently or have worked in a company and have ages ranging from 17 to 30 years. The researcher conducted a survey by approaching respondents through their social media and using an online questionnaire platform for approximately 2 weeks in October 2021. The survey answers obtained by researchers managed to obtain valid results from respondents and had a response rate of 100%.

Table 1. Variables and Definition

Variable	Definition	Indicator	Scale
Employee performance	Employee performance is how a staff member fulfils their role in completing required tasks and behaving in the workplace	Job satisfaction survey	Likert scale 1-5
Effective leadership styles	A leadership style that can show strong character in employees such as honesty, integrity, trustworthiness, and ethics.	Transactional leadership and transformational leadership	Likert scale 1-5
Appraisal systems	A system that manages the employee performance process of a company through its leader to evaluate the team’s work performance.	Fairness and openness	Likert scale 1-5

Study Instrument

The survey in this study is divided in three parts. The first part of the questionnaire contains general questions to find out the background of the respondents which includes age, job status, and how long they have worked in the company. The second part contains statements to find out how the leadership attitude of the leaders in their company is and how the appraisal system is used by each leader to assess employee performance. The responses from this second part will identify which leadership theory and what appraisal system their leaders use. Meanwhile, in the third part, the questionnaire focuses on the job satisfaction obtained by employees for their leader’s leadership behavior. The survey results will be processed using the Smart-PLS tool to test whether effective leadership styles (transactional and transformational indicators) and appraisal systems will affect employee performance. To calculate the effective leadership styles, the researcher uses transformational and transactional variables.

The respondents are divided into three categories, which range from 17 to 20 years old, 21 to 30 years old, and more than 30 years old. From the data obtained from 54 respondents, the composition of respondents based on age classification is around 48.1% aged 17 to 20 years old, 46.3% aged 21 to 30 years old, and 5.6% aged over 30 years old. From the results of these respondents, it can be concluded that the number of respondents is dominated by people aged 17 to 20 years old. They come from any region in Indonesia. Additionally, the respondent’s data is divided into two parts to determine whether some of them have work experience in the company or not. From the survey results, 92.6% of respondents have worked in companies and 7.4% of respondents have never worked in companies. The results of the survey of respondents by position when they worked in a company or other institution is divided into three sections: interns, permanent employees, part-time workers, and other types of employment status. Of the 54 respondents, 46.3% have worked as interns, 16.7% as permanent employees, 16.7% as part-time workers, and 20.4% are other types of employees. The three classifications of the length of time they worked in the company include those who have work experience for 3 to 6 months, 1 to 3 years, and more than 3 years. Then, from 54 respondents who filled out the survey, the researcher got 64.8% of them worked for 3-6 months, 25.9% worked for 1-3 years, and 9.3% worked for more than three years.

Reliability and Validity

The researcher surveyed the study in some steps, checking the model’s reliability and validity (see Table 2). Then, the researcher uses six items to test the validity of transformational variables, three items for transactional, two items for appraisal systems, and five items for employee performance as the dependent variable. Based on Cronbach’s alpha value, this shows that all the variables used in this study are reliable. Cronbach’s alpha of each variable can be reliable because it has exceeded the minimum reliability value of 0.70, and the variable with high reliability is ‘transformational’ with a score of 0.903. Then, for validity testing, we can see from the Average Variance Extracted column. All variables have high validity because their score is more than the minimum value, which is 0.5. That means that appraisal systems, transactional, and transformational variables are excellent and valid to test the employee performance in a company.

Table 2. Validity and Reliability Test

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Appraisal Systems	0.832	0.922	0.855
Employee Performance	0.863	0.901	0.646
Transactional	0.783	0.873	0.697
Transformational	0.903	0.925	0.674

A variable is declared reliable if the composite reliability has a value > 0.7. The results of output table 2 show that the composite reliability value for all contract variables is above the minimum value which indicates that all variables are reliable.

Descriptive Statistics

There are 30 question items used to measure the effect of effective leadership styles and appraisal systems on employee performance, the researcher found that there were 15 items questions that were not valid for use. Therefore, to maintain the accuracy of the variables, invalid items have been removed. The reason why these items are invalid is because of the misunderstandings faced by respondents when answering the questionnaire. Another reason is that respondents may lose focus when filling out the questionnaire so that it does not produce consistent results when calculated by the researcher.

Table 3. Descriptive Analysis of the Items

Items	Mean	Median	Mode
TRSC1	4.07	4.00	4.00
TRSC2	3.98	4.00	4.00
TRSC3	3.67	4.00	3.00
TRF1	4.26	4.50	5.00
TRF2	3.81	4.00	3.00
TRF3	4.22	4.00	5.00
TRF4	4.00	4.00	4.00
TRF5	4.09	4.00	5.00
TRF6	4.17	5.00	5.00
APP1	3.31	3.00	4.00
APP2	3.89	4.00	4.00
EP1	3.93	4.00	5.00
EP2	3.89	4.00	4.00
EP3	3.89	4.00	5.00
EP4	4.00	4.00	5.00
EP5	4.04	4.00	4.04

In Table 3, TRSC1, TRSC2, and TRSC 3 are items that ask questions about leaders who use transactional theory in their leadership attitudes in companies. When we see from the mean and median, the survey results show that almost of them answered on a scale of 3-4 which indicates that transactional leadership is quite widely used by leaders. That do not affect EP1 to EP5 because most respondents felt that transactional leadership was too burdensome for them.

Other items tested in this study were TRF1, TRF2, TRF3, TRF4, TRF5, TRF6 which questioned the leadership attitude of a leader using transformational theory. Seeing from the table 3, the mean and median of the items show that respondents mostly answered on a scale of 4-5 which means that transformational leadership is very well used by leaders. It can affect EP1 to EP5 where they feel very satisfied with the attitude of the leader.

The last items used are APP1 and APP2 which ask about the appraisal systems applied by their leaders in the company. Looking into table 3, most respondents answered on a scale of 3-4, which indicates that their leaders tend to be good at providing appraisal systems. This has an impact on items EP1 to EP5 which

makes employee performance can increase and feel satisfied with the appraisal system provided by the leader.

IV. RESULTS AND DISCUSSION

Table 4 shows the detailed path coefficient values that determine whether the independent variables used in the study have a significant impact on the dependent variable or not. Based on the results obtained, the variable that has the most significant effect on employee performance is the transformational variable and the appraisal systems because the p-value of those variables are less than alpha 0.05. However, the transactional variables do not significantly impact to employee performance because the p-value is more than alpha 0.05.

Table 4. Path Estimates

	Original Sample (O)	Mean	Standard Deviation	T-Statistics	P-values
Appraisal systems -> Employee Performance	0.268	0.264	0.144	1.858	0.045
Transactional -> Employee Performance	-0.144	-0.108	0.200	0.721	0.483
Transformational -> Employee Performance	0.727	0.710	0.175	4.159	0.000

Overall, the R square value of the dependent variable is 0.636, it means that employee performance variable 63.6% is influenced by transformational variables, transactional variables, and appraisal systems variables. Meanwhile, 36.4% is influenced by other variables that cannot be studied. The value of R square in this case can also indicate that 0.636 the three independent variables simultaneously affect the value of the dependent variable.

The Influence of Effective Leadership Styles using Transactional Theory on Employee Performance

In empirical research that has been carried out by several previous researchers, leaders who use transactional theory negatively impact the employee. It can make employees feel pressured, so the leaders can also reduce employee performance (Young et al., 2020). That also happens in this case study. In table 4, transactional leadership has an original sample value of -0.144, which indicates that this variable negatively impacts employee performance. In addition, the p-values on this variable are 0.483, which means that the matter is more than alpha 0.05, thus making this variable not significantly impact employee performance. Based on the survey, most respondents agree if the leader has a system to measure the current performance with the expected target in the future. Leaders also support each employee to have a higher job challenge than the conditions they face and encourage them to find solutions and learn from other companies (benchmarking). With such a leadership system, employees can only exert their energies without thinking about their condition. They cannot get the opportunity to contribute to making decisions in every work activity because the one who can only lead is the leader of the company. So, in this study, we can see that a leader who adheres to transactional theory as an effective leadership style does not significantly impact employee performance (confirm Hypothesis 1A). Although the leader has conveyed the organization's vision, support and provide solutions to employees in every work activity, this does not affect their performance.

The Influence of Transformational Leadership on Employee Performance

The subsequent analysis is to examine the influence of effective leadership styles using transformational theory on employee performance. In previous studies, transformational leadership has no effect in encouraging employee performance. Several factors can influence this, such as that leaders ignore transformational leadership characteristics and apply them (Hasib et al., 2020). Meanwhile, research studies show different results. Seeing from table 4 has an original positive sample, which is 0.727. It means that the transformational theory positively impacts employee performance. For the p-values, transformational has a 0.000 score, which indicates that this variable significantly affects employee performance. From the survey results, most respondents agree with transformational leadership behavior. Their leader always supports each employee individually to help each other to grow with the company. Employees also receive open and honest feedback between employees and the opportunity to express and listen to the opinions of

others. In addition, the leader in this theory also plays a role in guiding, assisting, and directing his employees and giving them the freedom to seek new ideas to achieve the company's vision. That also results in a good performance for employees. Based on job satisfaction surveys, they have received equal rights at work, have a sense of empathy/caring from their supervisors, and make decisions in every work activity. With this transformational leadership theory, employees always get clear work instructions from their superiors, making the work easier to complete. So, from the explanation, the researcher can conclude that transformational leadership significantly influence on employee performance (confirm Hypothesis 1B). Every leader's behavior will always have a positive influence on employee performance. Therefore, leaders should continue to improve good leadership attitudes using transformational theory to build a good team. The validity that this variable can have a major influence on employee performance can be seen from Table 2. It shows that the AVE of transformational has a score of 0.674, which means that this is a valid variable to be used in further research.

The Influence of Appraisal Systems on Employee Performance

The last analysis will examine the effect of appraisal systems on employee performance. In the results of previous studies, the performance appraisal system dramatically impacts the willingness of employees to improve performance by proposing a conceptual model with propositions that can be tested (Sharma & Sharma 2017). The results of these studies also occur in this research study. Based on table 4, the appraisal system has a positive value on the original sample or its coefficient, 0.268. That shows that appraisal systems can have a positive impact on employee performance. So, when the appraisal system is getting better, the employee's performance will also increase. In addition, the p-values on the appraisal variable are also less than alpha 0.05, which is 0.045. It indicates that the appraisal system has a significant impact on employee performance. Based on the survey results, there are two indicators to show that appraisal systems can be assessed as good if the leader is fair and open to employees' appraisal system. In this case, most respondents agree that the leader can give a reward if the performance has met the target and allow their employees to verify each data assessment of their performance. The indicators in this variable have also been proven valid and reliable through table 2. It shows that appraisal systems have a Cronbach alpha value of 0.832 and an Average Variance Extracted (AVE) of 0.855. This number indicates that this variable is very valid and reliable because its value is very high. The composite reliability value also shows that appraisal systems have a value of > 0.7 , proving that this variable is valid. From the explanation of this analysis, it can be concluded that there is a positive relationship between the appraisal system and employee performance (confirm Hypothesis 2).

V. CONCLUSION

This study aims to find out how the influence of effective leadership styles by using transformational and transactional leadership concepts can significantly affect employee performance in a company. In addition to leadership styles, this study also aims to determine the positive or negative relationship between appraisal systems and employee performance to improve company growth well. Moreover, the research of this study used primary data with 54 employees as the sample.

The empirical study shows that leaders who use the concept of transactional theory have no significant impact on company performance and have a negative relationship. So that leaders who apply transactional theory in their companies will not improve employee performance. Meanwhile, the leader who uses the concept of transformational theory will significantly impact employee performance because the two variables have a positive relationship. That can be seen from the positive coefficient, which is 0.727. The appraisal system has a positive value on the original sample or its coefficient, 0.268. That shows that appraisal systems can have a positive impact on employee performance. So, when the appraisal system is getting better, the employee's performance will also increase.

The regression results of the effective leadership style variable using transactional leadership theory differ from the hypothesis, which states that transactional leadership will significantly impact employee performance. That is because transactional could become the effective style if the leader is in crisis, chaotic environments, and during times of uncertainty (Ma & Jiang, 2018).

The finding suggests that leaders should apply effective leadership styles by using transformational theory to improve employee performance. Employees will feel cared for and given the freedom to

participate in company decision making. Meanwhile, if the leader continues to apply the transactional leadership concept, employees will easily feel pressured at work and result in a decrease in employee performance. Moreover, leaders must also pay attention to the appraisal system given to their employees. Leaders must be more open in showing work appraisal reports to their employees and try to provide rewards for each of their work achievements.

For academics who want to do similar research on employee performance, it is necessary to use other theories rather than using transactional and transformational concept in regression analysis. This study has shown that transactional leadership theory cannot have a significant impact on employee performance. Thus, academics should properly address the issue for future research.

Like previous studies, this study also has limitations in its implementation. This study does not discuss in detail the indicators and characteristics of an effective appraisal system. Thus, further studies should find and examine these characteristics on employee performance. In addition, it would be more interesting if this research was conducted using primary data through direct interviews from leaders of a company to study and see firsthand the application of effective leadership styles and appraisal system theory. These issues can be examined and discussed for future research.

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