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The Influence of Transformational Leadership on Organizational Performance: A Case Study in Indonesia

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Absract

The purpose of this study was to examine the relationship between transformational leadership and organizational performance with readiness to change and empower knowledge sharing quality as mediating variables. The survey was conducted by collecting the respondents' data by filling up forms which were designed using the google form application and collecting it using WhatsApp. This was performed on 400 respondents, encompassing employees from the National Agency of Drug and Food Control in Indonesia. The research model adopted was validated using Structural Equation Modeling technique with AMOS tool. The findings showed transformational leadership as a significant predictor of readiness to change and it proved relevant in empowering knowledge sharing quality, which in turn affects organizational performance. Furthermore, the effects of both two mediating variables was also examined, and only readiness to change significantly influenced the relationship between predictors of transformational leadership and organizational performance. The findings of this study showed the need for transformational leaders as the research focused on understanding the differences in employee character. This is required to encourage better performance by empowering quality knowledge dissemination mechanisms, with continuous in-house training activities. Therefore, the model adopted in this research and the hypotheses prove the direct effect of transformational leadership on organizational performance, achievable through the mediating role of readiness to change.

Keywords: Transformational Leadership, Readiness to Change, Empowering Knowledge Sharing Quality, Organizational Performance

JEL Classification Code: C12, M10, M12, M54

1. Introduction

Leadership is a learning process characterized by continuous practices with increased knowledge to deal

with dynamically occurring changes in an organization. The expectation from a leader are always high, particularly towards achieving increased performance. Yukl (2006) defines leadership as a process which influences others to understand their orders and agree on what to do and how to do it, and it also facilitates individual and group efforts to achieve common goals. Many studies on leadership styles have been going on for a long time since it was first conceptualized by a political scientist (Burns, 1978). Transformational leadership is a type of leadership which focuses on achieving changes in values, beliefs, attitudes, behaviors, emotional, and the needs of subordinates for better change in future. Studies that are generally conducted by researchers are to determine the relationship between transformational leadership and organizational performance, although the research generally conclude that there is influence, research on the relationship of transformational leadership and its effect on organizational performance is still limited and mostly speculative (Bass, 1999). In addition, there is still little research and knowledge about the mediation process between transformational leadership and organizational performance which is useful in improving

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the performance of transformational leadership in building organizations (Boerner, 2007).

The BPOM is tasked with protecting the public from the circulation of substandard drugs and food, based on human health requirements. In addition, the incidence of globalization reported within the last few decades has forced the BPOM to reform bureaucracy, and to subsequently ensure better performance. However, numerous violations have been exhibited by business actors due to the abundance of substandard medicinal and food products circulating in the territory of Indonesia. Therefore, BPOM Republic of Indonesia was instituted as a supervisory agency, where leadership is required to encourage hardwork amongst followers. The transformational style is suitable for reformation purposes, because the leaders serve as an initiator for restructuring, integrated with the organizations' creativity, innovation, flexibility, and responsiveness. Simultaneously, there is a marked increase in the effectiveness and sensitivity towards the collective needs required to ensure good performance (Mora & Tidor, 2012).

Based on the arguments discussed, the aim of this study, therefore, is to develop a conceptual model, intended to link transformational leadership with organizational performance. This paper broadly describes the relationship through direct or indirect modeling, with the mediator variables of readiness to change and empowering the quality of knowledge sharing, which was synthesized. The latter is achieved by deriving new forms through theoretical analysis between the inspired interaction capability variable and knowledge sharing. In addition, the theory of interaction and organizational learning & RBV were adopted with leaders, and was intended to provide reinforcement in these abilities by building the value of enthusiasm. This is further implemented as the organizations' image, and new ideas are proposed with the aim of improving performance. Wu et al. (2012) examined the significant effect of knowledge sharing in interpersonal relationships on task performance. The research by Husted and Michailova (2002) showed the inability to impact on organizations currently applying incentives, resulting from the poor alignment with knowledge sharing and incentives provision. Based on this modeling design, the current study is expected to prove the success of transformational leadership in the significant reformation of organizational performance through a quantitative empirical approach using SEM.

2. Literature Review

2.1. Transformational Leadership

Robbins and Judge (2015) defined leadership as the ability to influence a group towards achieving a vision or goal. In addition, a strong level alongside adequate management is required by every organization to attain

optimal effectiveness. The leaders today compete to create a vision for the future, and inspire members of the organization. In addition, the leadership also has a role in changing the atmosphere of the organization to be more optimal and professional (Paais, 2020). The original theory was formulated from Burns (1978), where transformational leadership was described as a process characterized by the interaction between leaders and followers to promote one another into higher levels of morality and motivation. This concept features the observation of old problems with new perspectives, as the leaders stimulate higher attempts than usual. Also, the followers are inspired to think beyond individual aims and interests, and encouraged to focus on greater team, organizational, national and global objectives. The clear future perspective provided ensures the leaders' influence in a manner where the perspective is assumed to be personal, and further instigates the use of higher efforts. Yammarino and Bass (1990) also reported on the need for transformational leaders to articulate a realistic future vision, and stimulate subordinates

Furthermore, Bass (Yukl, 2006) formulated an empirical study after the emergence of Burns' idea, which examined the differences between transformational and transactional leadership. Moreover, both types were described in terms of the behavioral components, stipulating the leaders influence on followers and vice versa. Particularly, the transformational style demonstrates the need for followers to express trust, admiration, loyalty, and respect for the leaders, as well as the motivation to accomplish more than expected. A research by (Abu-Tineh, et al., 2008; Sun & Henderson, 2017; Arif & Akram, 2018; Widodo et al., 2017) recognized this leadership approach as an integrated activity between practice and behavior, and is expected to serve as a guideline for leaders to achieve and perform extraordinarily. Furthermore, a study by Chen et al. (2012) stipulated the influence of strategic flexibility and environmental dynamics variable in transformational leadership style on company performance.

García-Morales et al. (2008) identified the need for organizations to encourage this pattern of management, as the leaders involved are expected to be involved in the followers' development within the company. Similarly, Bass and Riggio (2006); Barling and Kelloway (2001); Shafi et al., (2020) suggested emphasis on intrinsic motivation and development as the cause of popularity with transformational leadership. This is particularly observed in organizations with followers performing activities according to their administrative needs, inspired and empowered to achieve success in times of uncertainty. The findings by Al Khajeh, (2018) identified the negative relationship between charismatic, bureaucratic as well as transactional leadership styles and organizational performance. Conversely, the transformational, autocratic, and democratic types had a positive association. The transformational form has advantages which also mediated

by Organizational Innovation and creativity (Nguyen et al., 2019; Samad, 2012; Arif & Akram, 2018; Minh-Duc & Huu-Lam, 2018; Doan et al., 2020).

In addition, numerous years of research on leadership led to the formulation of typical behaviors by Bass in 1985, and was presented in the form of a Multifactor Leadership Questionnaire (MLQ). This design consisted of three variables, including transformational, transactional and passive, alongside nine factors, which were used during the assessment (Bass and Avolio, 2005). However, five dimensions were derived, including the idealized influence of attributes, behaviors, inspirational motivation, intellectual stimulation, and individualized consideration.

2.2. Organizational Performance

Organizational performance is regarded as the ultimate dependent variable of interest for researchers concerned with any area of management. The measurement techniques introduced over the past two decades have been one of the most widespread international trends in public (Pollitt, 2006). Furthermore, performance is considered as a description of an organizations' success or failure during the conduction of major duties and functions, in order to realize the stipulated goals, objectives, vision and mission. This is also attributed as achievements within a certain period

Cropanzano et al. (2002) defined organizational performance as the transformation of inputs into outputs, aimed at attaining certain results. Based on content, this provides information about the relationship between minimal and effective (economic) costs, effective costs and realized outputs (efficiency), as well as between outputs and results achieved (effectiveness). The performance of a company is possibly used as a benchmark while evaluating the collective ability to achieve goals. Furthermore, the measurement used is one of the most important factors, because the process adopted evaluates the extent of goals achievement. This determines the possible existence of a deviation from the predetermined plan, or specified time schedule during the implementation.

Wang et al. (2011) identified a positive link between the transformational leadership and individual-level follower performance. The study also indicated an association with team performance at the organizational level. This further confirms the existence of a definitive association (Jyoti & Bhau, 2015; Do et al., 2020).

2.3. Empowering Knowledge Sharing Quality

Knowledge sharing is a basic management concept with specific focus on knowledge as the most valuable strategic resource of an organization (Cumming, 2003), and also as the main resource for value creation (Nonaka & Takeuchi, 1995). The greatest value is experienced through sharing,

because of the ability to improve individual performance, and facilitate the creation of new knowledge (Cohen & Levinthal, 1990, Noor & Salim 2012). This process is defined by Ling et al. (2009) as the dissemination of information throughout the organization. Cheng et al. (2009) reported on the loss of meaning on instances where sharing with others is not practiced. Moreover, the knowledge stored in an employee is more valuable when disclosed to other colleagues, because this practice serves as a resource for profit generation in business (Cheng et al., 2009).

Van Den and Ridder (2004) defined Knowledge Sharing as a process where individuals exchange knowledge (both Tacit and Explicit). This activity is closely related to an increase in innovative abilities. Zohoori, (2013) acknowledged the significant effect of sharing on the speed and quality of innovation. This practice is known to improve organizational performance in applying new ideas or methods to a work process (Ologbo et al., 2015). Meanwhile, continuous knowledge sharing is considered as the best way through which managers improve company performance, due to the positive effects (Rong Du et al, 2007), it also plays an important role in generating business opportunities from the creation of new ideas (Xue et al., 2011). This activity is considered as one of the processes in knowledge management (Davenport & Prusak, 1998).

2.4. Readiness to Change

An organizations' readiness for change is a comprehensive attitude is simultaneously influenced by the content, process, and context. The individuals involved reflect the tendency to agree, accept, and adopt the specific plan aimed at modifying the current state (Holt et al. 2007), with a characteristic readiness to perform a renewal at every line of the organization.

The peoples' understanding of this process is very influential and important. Bridges (2009) reported on the need to know why specific changes are necessary. Also, the study evaluated the reasons why organizations eliminate old routines and systems, and appraise the employees' willingness to coexist during the transition. This period is laden with complexities as well as uncertainties, and also the means to engage with a new system. Kurt (1951) described organizational change as a three phases process, characterized by unfreezing, changing, refreezing. In addition, the thought theory is assumed to be unfreezing in situations where members are prepared. Furthermore, readiness is defined as the employees' perception on the need to organizational restructure, as well as the possibility of expecting positive outcomes (Shah & Shah, 2010).

In addition, it is impossible to avoid changes, as readiness is required from each employee to ensure continuation of the designated work. This occurs due to the great influence of a change and the individuals' readiness to accept. In addition,

this concept is experienced in both positive and negative forms, as employee attitude shows the behavior towards accepting, embracing, and obeying the new plan. The preparation for a ready position involves reflection on the content, context and process, as well as the individual attributes to perceive and believe in the modifications made (Holt et al., 2007).

There are two aspects to readiness, including (1) the organizations willingness to change, comprising the attitude, simultaneously influenced by the content, process, context and individuals involved. This shows the individuals tendency to agree, accept, and adopt a specific plan aimed at modifying the current situation (Holt et al. 2007). Moreover, the aim is renewal at every line of the organization, and Weiner (2009) attributed organizational readiness as a shared determination of the members to implement the specific change. This also involves the creation of mutual trust in the collective execution ability. Therefore, high level of readiness enhances the member's interest towards initiating change, followed by the exertion of greater effort, enhanced persistence, and cooperative behavior. These activities ultimately facilitates a successful implementation (Weiner, 2009). According to Ramnarayan & Rao (2011) organizational readiness to change refers to the collective adaptations executed while identifying ways to realign the establishment with a transforming environment. (2) The individual's readiness to change, which is defined according to Armenakis et al. (1993) as a person's beliefs, behavior and intentions towards the desired modifications, in relation to personal perceptions of individual and organizational capacities to ultimately achieve success. Armenakis et al (1993) defined readiness as a cognitive behavior expressed both in the form of resistance and support for change efforts. Holt et al. (2007) considered this as an individual's willingness to adjust, considering the cognitive and emotional capacity to accept, as well as the personal efforts to execute the stipulated plans. Hanpachern (1997) devised another definition, which implicates individual readiness as the extent of mental, psychological, and physical keenness to participate in organizational development activities.

2.5. Hypotheses Development

2.5.1. Influence of Transformational Leadership on organizational Performance

Overstreet, RE (2012) has identified the relationship between Transformational Leadership and Company Performance, and the study results support both direct and indirect influences in basic management organizations (bottom line). Furthermore, another research by Dathce & Mukulu (2015) showed the significant effect of both transformational leadership and employee engagement at the Corporate State in Kenya. Moreover, three out of the

four dimensions of these leaders, comprising inspirational motivation (although weak), intellectual stimulation and individual judgment, were determined to be significantly associated with employee engagement. Therefore, the following hypothesis is derived.

H1: *Transformational Leadership is positively related to organizational Performance Influence of Transformational Leadership on Readiness to change*

Previous studies have evaluated and further recommended leaders to pay more attention towards increasing employee willingness to change. This activity is expected to increase organizational performance, and (Alharbi, 2018) it further demonstrated the existence of a positive and significant relationship between the practice of transformational style and readiness to adopt the modifications. Therefore, Al-Tahitah, et al, (2018) suggested the need for educational leaders to focus and enhance this dimension, in order to ensure a successful implementation. In addition, both transformational and transactional forms of leadership had a positive correlation with the managers' engagement. Consequently, a direct, long-term effect was observed with followers' appraisal of change, which was positive for transformational and negative for transactional leadership (Holten and Brenner, 2015). Therefore, the following hypothesis was derived.

H2: *Transformational Leadership is positively related to readiness to change Influence of Readiness to change on organizational Performance*

Mathew et al. (2014) reported on the link between Readiness to Change and Company Performance, as the research conducted on some of the employees at Kerala, India showed resistance to change, and the possibility of low returns. Furthermore, Fageraes (2015) showed the existence of positive and negative individual readiness level at the same time. However, significant differences were observed at the organizational level. Therefore, the following hypothesis was derived.

H3: *Readiness to change is positively related to organizational performance Influence of Transformational Leadership on empowering knowledge sharing quality*

Baytok et al. (2014) performed a research on the relationship between Transformational Leadership and Knowledge Sharing, and the results acknowledged the significance in International Hotel Chains, and further emphasized the importance. In addition, Al-Syaidh et al. (2016) reported on the influence of theoretical transformational and transactional

leadership style models on the Knowledge Sharing practices of employees. Furthermore, the latter is known to impact on job and consequently on the Company Performance. Therefore, the following hypothesis was derived.

H4: *Transformational Leadership is positively related to empowering knowledge sharing quality Influence of empowering knowledge sharing quality on organizational Performance*

Garcia and Calantone (2002) evaluated the relationship between Knowledge Sharing and Company Performance, and the results explained the sharing concept as one component of learning orientation estimated to facilitate the accomplishments. Hsu & Wang (2010); Wang et al. (2014) reported on the mediation by Intellectual Capital. Meanwhile, some studies highlighted the tendency for knowledge sharing to reduce production costs, accelerate completion in new development projects, improve decision making, coordination, innovation capability, as well as sales growth or revenue from the new products and services (Huang et al., 2010 ; Wang and Wang, 2012 : Taminiau, 2009). Therefore, the following hypothesis was derived.

H5: *Empowering knowledge sharing quality is positively related to organizational performance*

3. Research Methods

3.1. Research Instrument

The research data ought to be validated, prior to the collection of measurements from previous research. Furthermore, organizational performance is evaluated using instruments from Speklé and Verbeeten (2014), previously developed by Price et al. (1981). These tools are specifically designed to measure the performance of organizations in the public sector, and have been successfully applied in several previous studies, including a research by Williams et al. (1990), and Verbeeten (2008). The performance dimensions assessed include: (1) productivity, (2) quality or accuracy of work produced, (3) the number of innovations, process improvements, or new ideas, (4) reputation for work excellence, (5) production or service goal achievements, (6) operational efficiency, and (7) the unit personnels' spirit. Therefore, respondents in this case were asked to indicate the score of their organizational unit on each of the performance dimensions by allotting points, in a Likert scale form of 1-5 (where 1 = far below average, 5 = well above average) (Speklé and Verbeeten 2014).

The transformational leadership variables were measured based on the Multifactor Leadership

Questionnaire (MLQ-5X) formulated by Bass and Avolio (2005), is considered as one of the most widely used approaches today. This leadership style is known to consist of five dimensions, including the idealized influence of attributes, behavior, inspirational motivation, intellectual stimulation, and individualized considerations. Furthermore, each has an indicator, leading to a total item of 20 questions. The Konkle dissertation questionnaire (2007) was used for measurement with the aid of a Likert scale, due to the higher reliability as well as larger data volume provided, in contrast with other scales, and is also considered the most frequently used (Cooper and Schindle, 2006). This method is used with an interval of 1 to 5, with the value of 1 indicating attitude has never been done, 2 (almost never), 3 (sometimes), 4 (quite often), and 5 (often done). The results are presented as interval data (Cooper and Schindle, 2006; Sekaran, 2006). Moreover, the readiness to change variable was evaluated using instruments from Lehman et al. (2002), through 4 dimensions. These comprise motivational readiness, Institutional resources, Staff attributes and Organizational climate, with an interval scored on a 5-point agree-disagree response scale. The variable of empowering knowledge sharing quality was measured with an instrument adapted from Bock et al. (2005), and all assessments employed a five-point Likert scale, ranging from "very frequently" to "very rarely" or "extremely likely" to "extremely unlikely."

3.2. Sample Design and Data Collection

The survey process was conducted by collecting the respondents' data from Food and Drug Authority offices all over Indonesia from 10-05-2020 to 29-05-2020. This was achieved by filling out forms designed using the google form application, and distributed using WhatsApp media. Therefore, each respondent directly fills in the desired information directly from a cellphone or computer. The inputted data is then stored on the server, and is consequently used directly.

3.3. Data Analysis

Subsequently, SPSS version 18.0 was used for analysis. This study evaluated the nature of the measurement scale for convergent as well as discriminant validity, and the composite reliability was further assessed with confirmatory factor analysis (CFA). Furthermore, structural equation modeling (SEM) was applied to verify the relationship between transformational leadership pathways, organizational performance, readiness to change and empowering knowledge sharing quality. The software used for CFA and SEM was AMOS.

4. Results

A total of 792 respondents were collected, and the 467 respondents were further verified and validated after the corrections. This comprised of 292 female (73%) and 198 male (27%) respondents. Moreover, the dominant participant age range was 31-40 years at 34.5%, while 29% were over 50 years old, followed by 41-50 (23.8%), 21-30 (12.5%) and 1 respondent was under 21 years (0.3%).

Table 1: Validity and Reliability for Constructs

Variable	AVE	CR
Transformational Leadership (TL)	0.583	0.954
Readiness to change (RC)	0.566	0.627
Empowering Knowledge Sharing Quality (EKSQ)	0.534	0.843
Organizational Performance (EP)	0.502	0.800

Table 2: Goodness of Fit

Item	Cut of Value	Research Value	Criteria
Chi-Square value (χ^2)	≤ 215.663 for DF 183	214.935	Good
P-value	>0.05	0.053	Good
RMSEA	<0.08	0.019	Strong
GFI	>0.9	0.961	Very good
AGFI	>0.9	0.941	Very good
CMIN/DF	<3	1.175	Very good
TLI	>0.9	0.994	Very Strong
CFI	>0.9	0.996	Very Strong
DF	minimal	183	Good

Table 3: Discriminant Validity Test

Variable	Transformational Leadership	Readiness to change	Empowering Knowledge Sharing Quality	Organizational Performance
Transformational Leadership	0.721	0.651	0.165	0.185
Readiness to change	0,651	0,732	-	0.408
Empowering Knowledge Sharing Quality	0.165	-	0,762	-0.091
Organizational Performance	0.185	0.408	-0.091	0,679

The education level was dominated by undergraduate level S1 at 63.3%, Postgraduate level (17.8%), Diploma D3 (10.5%) and 34 respondents had a high school education (8.5%). Moreover, a majority reported to work in the field / test section (41.5%), followed by the inspection field / section (23.3%), the administration section / sub-section (15.5%), infocom field / section (10.0%), the action field / section (9.3%) and leadership (0.5%).

Furthermore, the positions of functional officials were predominant (68.5%), followed by general staff (17.3%), heads of fields / sections (7%), section heads (6.8%) and heads of agencies (0.5%).

4.1. Validity and Reliability

Table 1 shows the study data for convergent validity test, and the AVE value of each variable > 0.5 . Therefore, a positive validity was confirmed, indicating the ability of each indicator to explain the latent variables.

Table 2 shows the Goodness-of-Fit Model Test results where the Chi-Square value (χ^2) of 235.822 was significant, with ($p = 0.052$). Moreover, the ratio of Chi value to degree of freedom was ($\chi^2 / df = 1.175$), which is much smaller than the cutoff point 3, as suggested by Bagozzi and Yi (1988). The goodness of fit index ($GFI = 0.961$) and comparative-fit index ($CFI = 0.996$) were greater than the recommended value of 0.9, while RMSEA was 0.019, and is significantly lesser than 0.08 (Hair et al., 2006), hence the model fit and data are reasonable.

This discriminant validity of the construct in Table 3 was also evaluated, and the results showed greater AVE values compared to the squared correlation coefficients between each pair. Therefore, every latent variable is considered to be capable of self-discrimination against other latent variables, as each demonstrates a strong relationship with the indicators (Amin et al., 2013; Hair et al., 2006). Hence, the discriminant validity of each variable concluded to be valid.

4.2. Structural Model

Hypothesis testing for H1 to H5 was performed statistically, using a structural model. The GFI goodness-of-fit obtained from the model includes the Chi-square value ($\chi^2 = 214.935$, $df = 183$, $\chi^2 / df = 1.175$, $p = 0.053$) and other indices (RMSEA = 0.019; GFI = 0.961 ; CFI = 0.996). These results indicate a proper fitting between the model and data obtained, which is then used in further analysis.

4.3. Empirical Testing of Hypothesized Model

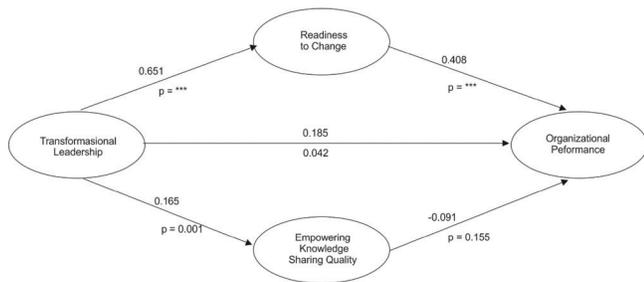


Figure 1: Results of the structural model; *** indicate significant at 1% level of significance based on t-statistic

The relationship between transformational leadership variables an organizational performance mediated by readiness to change is possibly explained through the existing path between transformational leadership and readiness to change, characterized by an estimated value of 0.476 or a significance of $p=0.000$, which is indicative of an effect. Furthermore, 0.194 or $p=0.017$ significance was the subsequent correlation to performance, suggesting the existence of an influence.

The entire path has an estimated value of 0.197 or significant $p=0.032$, indicating an influence. Furthermore, the relationship mediated by empowering knowledge sharing quality is possibly explained through the existing trajectory with the leadership style at an estimated value of 0.264 or $p=0.000$ significance, suggestive of an effect. Furthermore, the association with organizational performance was 0.264 or $p=0.843$ significance, indicating no influence (Figure 1). Furthermore, the mediating capability of both variables is determined using the Sobel Test calculator, and the significance value of paths using the readiness to change was 3.114 or a significance of $p=0.001$, which demonstrates an effect. Meanwhile, the latter has an estimated value of 0.282 or a $p=0.777$ significance level, meaning there is no effect.

Table 4 describes the relationship between transformational leadership and organizational performance mediated by readiness to change and empowering knowledge sharing quality. In addition, both play a role in improving organizational performance by the leaders function through statistical calculations, with a significance level of 1%. Moreover, a 1 unit increase in leadership is estimated to cause an elevation in performance by 0.185 unit. Hence, the first hypothesis was accepted, stipulating Transformational leadership is positively related to Organizational Performance.

The second hypothesis was accepted, as a 1 unit increase in transformational leadership instigated a 0.651 unit elevation in readiness to change at a significance level of 1%. Similarly, a 1 unit increase in readiness to change prompted a 0.408 rise in units of organizational performance, hence the third hypothesis was accepted. In addition, an 1 unit increase in transformational leadership led to a 0.165 unit elevation in empowering knowledge sharing quality. Therefore, the fourth hypothesis was accepted.

Table 4: Results of the structural model

Hypotheses	Hypothesized path			Standardized coefficients	p-value	Decision
H1	Transformational Leadership	→	Organizational Performance	0.185	0.042	Supported
H2	Transformational Leadership	→	Readiness to Change	0.651	***	Supported
H3	Readiness to change	→	Organizational Performance	0.408	***	Supported
H4	Transformational Leadership	→	Empowering Knowledge Sharing Quality	0.165	0.001	Supported
H5	Empowering Knowledge Sharing Quality	→	Organizational Performance	-0.091	0.155	Not Supported

Note: *** indicate significant at 1% level of significance based on t-statistic

4.4. Mediation Analysis

The mediation path model shows the relationship of transformational leadership relationship with readiness to change variable, at an estimated value of 0.165, or 0.001 significance (effect). Furthermore, the subsequent association with organizational performance was 0.408, or a significance of 0.000 (effect). Hence, a cumulative value of 3.437 or 0.000 significance was derived after controlling this mediator variable. However, the direct path was estimated at 0.185 or a significance of 0.042 (effect).

The mediation model on the path through empowering knowledge sharing quality shows an estimated value of 0.165 or a significance of 0.001 (effect) with translational leadership, and -0.091 or 0.155 significance (no effect) with performance. This indirect pathway by controlling the mediator variable generates an estimated value of 1.301 or a significance of 0.193. The significance value after controlling both mediators was obtained using the Sobel Test Calculator, and the results show the mediating effect of only readiness to change between transformational leadership and organizational performance.

5. Discussion and Conclusion

This empirical study has provided evidence on organizational performance development in Badan POM, Republic of Indonesia. In addition, a structural equation model was designed to prove the five hypotheses, H1, H2, H3, H4 and H5, based on the role of transformational leadership, via the mediation of readiness to change and quality knowledge sharing empowerment. The test results with 5% significance proved the support of only four hypotheses, where the first stipulates the increase in organizational performance through the input of transformational leaders. Similarly, the second estimates the substantial support of transformational leadership on readiness to change within the Badan POM organization, Republic of Indonesia. The third hypothesis confirms the pathway of readiness to change as a predictor of organizational performance. In addition, the employees were very ready to implement every change demanded. The estimation of the fourth hypothesis, characterized by the path of transformational leadership on empowering knowledge sharing quality. This indicates the potential to develop enthusiasm for sharing knowledge with employees. However, the fifth path estimation on quality knowledge sharing empowerment on organizational performance was insignificant as a predictor. This finding also indicates the lack of support, hence employees at Badan POM Republic of Indonesia were unsuccessful in strengthening dissemination of quality information.

The results from hypothesis testing are consistent with previous studies conducted by several researchers,

where transformational leadership improved the outcome of organizational performance (Orabi, 2016; Overstreet, 2012; Dathce & Mukulu, 2015; Morales et al., 2012; Li et al., 2016). In addition, the association between both variables was strong (Arif & Akram, 2018). Meanwhile, Samad, (2012) included the impact of innovation, while Dionne et al. (2004) stipulated the influence of transformational leadership, which reportedly exceeds expectations.

Furthermore, some studies highlighted the positive and significant relationship between transformational leadership and employee's readiness to change (Alharbi, 2018). Therefore, further investigation is required to provide more insight (Al-Tahitah, 2018). The organizational function and readiness for change (ORC) contributes to researches on modifications within the institution as well as technology transfer, by identifying the functional barriers involved (Lehman, 2002). Furthermore, studies were also performed to highlight the possible changes experienced, including the employees perception of the organization's ability to accommodate the transforming situations by altering policies and procedures (Eby, 2000). The results of another research on readiness at the individual level show the tendency to be positive and negative at the same time. However, tests performed at the organizational level show a significant difference between both, hence the coexistence is estimated to exist only at the individual level (Fagernaes, 2015).

Baytok et al. (2014) investigated the relationship between Transformational Leadership and Knowledge Sharing. The results acknowledged the significance of this variable in International Hotel Chains, and emphasized the importance of a transformational leader to achieve success during information dissipation. In addition, other researchers, including AL-Syaidh et al., (2016) reported on the effect of theoretical transformational and transactional leadership style models on the Knowledge Sharing practices of employees, although the significantly impacts on job, as well as Company Performance. This relationship has been widely studied, and the results explain that knowledge sharing as an essential component of learning orientation (Garcia and Calantone, 2002).

The findings of this study showed the need for transformational leaders as the research locus to understand the differences in employee character. This is required to encourage better performance by empowering quality knowledge dissemination mechanisms, with continuous in-house training activities. Therefore, the model adopted in this research and the hypotheses prove the direct effect of transformational leadership on organizational performance, achievable through the mediating role of readiness to change.

6. Limitations and Future Study

The research locus was confined to the same organization. Therefore, it is necessary to consider sampling sites in different public service organizations for further investigations. This study does not involve random sampling but purposive selection based on clusters. However, The research is estimated to contribute towards quantitative research, with the potential to ensure advancements in understanding the relationship between transformational leadership and organizational performance. Hence, future studies are encouraged to properly consider program strategies and implementations in support of transformational leadership, in an effort to improve the overall performance.

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