

THE INFLUENCE OF TRANSFORMATIONAL LEADERSHIP ON BUSINESS ETHICS AND ITS RELATIONSHIP TO EMPLOYEE PERFORMANCE OF PT WAHANA RITEL HONDA MEDAN SUNGGAL

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ABSTRACT

The research objective to be achieved is to determine the influence of transformational leadership on business ethics and its relationship to employee performance. The research population was employees of PT Wahana Ritel Honda Medan Sunggal using the entire population. Data analysis uses Structural Equation Modeling (SEM) Partial Least Square. Based on the calculation results, it shows that transformational leadership has a significant effect on business ethics and employee performance. The direct influence of transformational leadership on employee performance is 0.50, while the influence on business ethics is 0.60. The influence of business ethics on employee performance is 0.45. Meanwhile, the overall influence of transformational leadership and business ethics is 0.67 or 67%. This shows that changes in employee performance can be explained by 67% of transformational leadership and business ethics, while the remaining 33% is influenced by other variables not examined in this research.

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1. INTRODUCTION

Human resources are one of the important elements in an organization and can be said to be the spearhead for achieving the results of a goal within the company. Therefore, companies need human resources who have high performance so that company goals can be easily achieved. Human resources are not only seen as costs or capital, but employees are also a form of achieving maximum performance. One of the important elements in improving employee performance is leaders and ethics who can influence their subordinates to achieve company goals through an appropriate leadership style. This connection between leaders and subordinates can create a good situation and create cooperation between leaders and subordinates.

In a company, of course, there are several problems faced by employees to achieve company goals. The responsibilities and work ethics within the company must be adhered to and carried out by employees. This will be influenced by leaders who demonstrate Islamic morals and values to achieve high-performance results. The success of a company depends on its management. The more effectively and efficiently a company manages its resources, the more successful the company will be compared to its competitors. Competition in business requires companies to act creatively and innovatively so that they can increase their competitiveness. (Machmud & Sidharta, 2013) One of the factors that can increase a company's competitiveness is its human resources, where the behavior of human resources in the organization plays an important role in improving employee performance (Robbins & Judge, 2006) Performance assessment is a systematic description of its relevance between the tasks assigned and their implementation by employees. The tasks carried out refer to the tasks ordered as responsibilities entrusted to their position. Besides that, performance appraisal can be interpreted as an effort to identify, measure and manage the work carried out by employees in the organizational environment. One factor that can improve employee performance is the role of the leader. Rachmawati, Ike Kusdyah (2008, p.1) states that one of the functions of human resource management is human resource development. In developing human resources, the role of leadership is dominant in increasing the capacity of employees to produce optimal performance. Current free market conditions show that entrepreneurs no longer care about each other and compete to defend their interests. The goal of business ethics is no longer important

to provide comfort for its stakeholders. Business competition becomes unbalanced. Large groups of investors are getting richer.

Business ethics is part of the code of conduct (guidelines for ethical behavior) of a business entity. The code of conduct includes business ethical values as one of the implementation of good governance principles. Discussion of business ethics cannot be separated from the discussion at its origin, namely governance. An entity needs to apply business ethical values as part of implementing good governance. The practice of business ethics and honesty in business can create assets (directly or indirectly) that can increase the value of the entity. Business ethics is the application of general ethical principles to a specific area of human behavior, namely economic and business activities (Bertens, 2000:65). Based on the results of a pre-survey of one of the leading companies in the city of Bandung, it shows that employee performance is still not optimal, which is suspected by the lack of optimal leadership and business ethics in the company's organizational environment. Based on the background described above, the formulation of the problem in this research is how much influence transformational leadership has on business ethics and its relationship to employee performance. The research objective to be achieved is to find out how much influence leadership has on business ethics and its impact on employee performance. The results of this research are expected to: (1) Theoretically, the results of this research are expected to be able to increase scientific insight regarding the implementation of human resource management, especially those related to issues of transformational leadership, business ethics and employee performance, (2) Practically, the results of this research can be used as input material for the formulation of policies for all levels of management who are in command of each implementation, for the development of transformational leadership and business ethics, and also for every staff who is at the forefront of services for mutual progress.

Literature Review

Leadership

Kreitner and Kinicki (2010:467) define leadership as a process in which an individual influences others to achieve common goals. McShane and Von Glinow (2010: 360) state that leadership is about influencing, motivating and enabling other people to contribute to the effectiveness and success of the organization of which they are members. Leadership is the process of influencing and supporting other people to work enthusiastically toward achieving goals (Newstrom, 2011: 171). Leadership is an important factor that helps individuals or groups identify their goals and then motivates them from within to achieve the set goals. From the definitions above, it can be concluded that leadership is the nature or character or method of a person to develop and influence a person or group of people so that they are willing to cooperate, commit and be loyal to carry out all activities by their duties and responsibilities to achieve organizational goals.

Business Ethics

According to Pandji (2007:113), business ethics is ethics that concern social rules in business activities. Business is regular activities that serve general (meaning: non-personal) needs while generating income. If profit is calculated in "income", then the business is commercial. The principles that apply in good business cannot be separated from our lives as humans. These principles are closely related to the value system adopted by each society. The principles of business ethics according to the Caux Round Table (1994) are:

- a. Business responsibility from stakeholder to stakeholder
- b. Economic and social impact of business: towards innovation, justice and world community
- c. Business conduct from the letter of the law to a spirit of mutual trust
- d. Respect for rules
- e. Support for multilateral trade
- f. Respect for the natural environment
- g. Avoid unethical operations

Business Ethics are ways to carry out business activities that cover all aspects related to individuals, companies, industry and society. This understanding includes how to run business fairly, by changing the world view of business ethics so that the world economic order improves. Business without ethics causes rulers and business people to become uncontrolled and use any means to achieve their goals.

Performance

Gibson in Kasmir (2015: 182) states that individual performance is the basis of organizational performance which is greatly influenced by individual characteristics, individual motivation, expectations

and assessments made by management regarding the achievement of individual work results. According to Colquitt in Kasmir (2015: 183), performance is determined by 3 factors, namely:

- a. Task performance (task performance).
- b. Loyalty behavior (citizenship behavior) as a positive behavior.
- c. Counterproductive behavior is negative behavior

According to Ivancevich in Kasmir (2015: 183) says that performance is the result achieved from what is desired by the organization or company. Based on the description above, there are several performance functions, namely:

- a. Capacity to perform is related to the degree of process relationships within individuals between tasks and skills, abilities, knowledge and experience.
- b. Opportunities to do that are related to the availability of technology.
- c. Willingness to do is related to desire and willingness to use effort to achieve performance.

From the description above, it can be said that performance is the achievements achieved by someone in carrying out their duties or work by the standards and criteria set by the job and can produce job satisfaction which will later influence the level of rewards.

Framework for Thought and Hypothesis

Good leadership is the action of a leader who can have a good impact and the goals of the organization are achieved as desired. In the sense that a leader can provide a good performance effect for his subordinates or employees. Bass (Sedarmayanti, 2010) states that transformational leaders can change and motivate their employees in a way.

1. Make them more aware of the importance of task results;
2. Persuade them to prioritize the interests of their team or organization over personal interests, and
3. Activate their higher needs.

The principles of business ethics according to the Caux Round Table (1994) are:

1. Business responsibility from stakeholder to stakeholder
2. Economic and social impact of business: towards innovation, justice and world community,
3. Business conduct from the letter of the law to a spirit of mutual trust,
4. Respect for rules,
5. Support for multilateral trade,
6. Respect for the natural environment,
7. Avoid unethical operations. So that business ethics can be applied in an organization, the role of the leader is very important, whereas transformational leadership provides examples of behavior that leads to ethical behavior so that it can improve employee performance.

By the explanation in the framework above, this research can be formulated as follows:

1. There is a significant influence of transformational leadership on business ethics
2. There is a significant influence of transformational leadership on employee performance
3. There is a significant influence of business ethics on employee performance

2. METHOD

In this research, the object studied is PT Wahana Ritel Honda Medan Sunggal. Sugiono (2013) defines population as a generalization area consisting of objects/subjects that have certain qualities and characteristics determined by research to be studied and then conclusions drawn. To draw samples from a population, the entire population is taken to be used as a sample so that the research is population research. The author will take population data, namely 35 respondents. This research uses inferential methods to determine the influence of Transformational Leadership on business ethics and its relationship to employee performance. To support this research method, data collection techniques can be linked according to Sugiyono's (2013) opinion, which data collection technique is the most appropriate so that valid and reliable data can be obtained, not all data collection techniques (library studies, questionnaires, observations and interviews).) is listed if it cannot be implemented. In preparing a questionnaire based on predetermined indicators, each variable, both the independent variable and the dependent variable, will be described in the form of a statement and given a value using the score to determine the assessment weight. Then, in processing the data, a measurement scale was used which was obtained through the results of respondents' answers, namely by using an ordinal scale and a Likert scale. Next, the results of the questionnaire are calculated, to categorize the data, data tabulation is used. The data analysis technique uses Partial Least Square structural equation modeling (SEM). The Partial Least Squares (PLS) model measurement is based on predictive measurements which have non-parametric

properties through convergent validity, namely where the individual reflective measure correlates with a loading value > 0.50 (Chin, 1988) and the discriminant validity value, namely comparing the square root of average variance extracted value. (AVE) each construct with a correlation between the constructs in the model, if the AVE value is greater than the correlation value between the construct and the model then it is said to have good discriminant validity (Fornell & Larcker, 1981). Meanwhile, the structural model was evaluated using R-squares for the dependent construct, the Stone-Geiser Q-square test for the predictive relevance test and the t-test as well as the significance of the structural path parameters. (Ghozali, 2011; Sidharta & Sidh, 2014).

3. RESULT AND DISCUSSION

Data analysis was carried out by entering all respondent data and testing convergent validity, discriminant validity and significance tests. The calculation results show that all indicators have a loading value above 0.50 so all indicators meet the testing criteria for the Partial Least Squares (PLS) model. The calculation results using Warp PLS 5 show the overall structural model as follows:

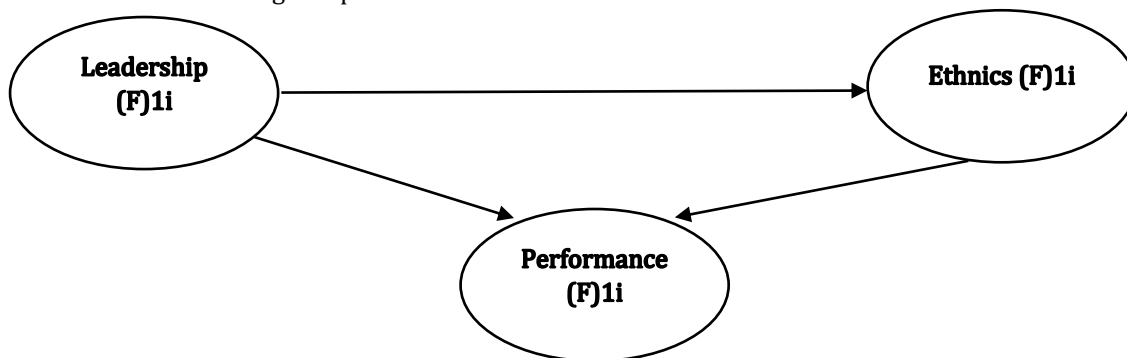


Figure 1. Model Results for All Research Variables

Based on the calculation results, it shows that all research variables are proven to be significant. This shows that transformational leadership has a significant effect on Business Ethics of 0.60 and 0.50 on employee performance. Meanwhile, business ethics has a significant effect on performance of 0.45. The structural model as a whole has an effect of 0.67 which is indicated by the R2 value, this indicates that transformational leadership and business ethics together can explain employee performance by 67% while the other side is influenced by other variables not examined in this research. . This is to Yukl's (2011) statement that transformational leadership can provide a sense of trust, admiration, loyalty and respect for the leader. This indicates that leaders can change the behavior of their employees to achieve optimal performance. Furthermore, the influence of ideals, individual considerations, motivation and intellectual stimulation will give rise to ethical behavior which ultimately forms business ethics exemplified by transformational leaders. This research supports previous research, namely research conducted by Rasmini & Jayanti. (2013) which proves that employee behavior has a significant influence on ethical behavior. Yukk (2011) states that transformational leadership can move and motivate employees, thus there is an influence of leadership on employee business ethics. Sidharta & Lusyana (2015) prove that the relationship and task dimensions are forming factors of leadership. Likewise, research conducted by García-Morales et al., (2012) proves that transformational leadership has a significant effect on employee performance. In line with this, research conducted by Suryana (2014) proves that business ethics influences partnerships and has an impact on business performance.

4. CONCLUSION

Based on the research results, it can be concluded that transformational leadership has a significant effect on business ethics and employee performance. This shows that to improve employee performance the role of leadership and management of business ethics needs to be improved. In applying business ethics, employees copy and imitate the leader's behavior. In this research there are still many shortcomings so it is hoped that further research will include other variables which are thought to influence employee performance. The practical relevance of this research lies in the role of leadership in instilling ethical behavior in employees. This can be expected to improve employee performance in the company.

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