



Psychological Empowerment: The Missing Link in Leadership and Employee Performance

Gea Aslamiyah^(✉) and Yanki Hartijasti

Management Science Postgraduate Program, University of Indonesia, Depok, Indonesia
gea.aslamiyah@ui.ac.id

Abstract. This study aimed to investigate the relationship between leadership style and employee performance, with psychological empowerment as a mediator. Data were collected from 320 mining contractors in Indonesia and analyzed using Structural Equation Modeling (SEM). The results showed that the indirect relationship between leadership style and employee performance through psychological empowerment was stronger than the direct relationship. This study highlights the importance of psychological empowerment as a mediating variable in the relationship between leadership style and employee performance. The findings suggest that companies and practitioners can improve job performance by enhancing psychological empowerment through effective leadership practices.

Keywords: Leadership · Psychological Empowerment · Job Performance

1 Introduction

In this dynamic and changing era, organizations must be orientated by responding to changing situations and improving performance. Employee performance is described by the actions, behaviors, and results of employees that affect organizational profits and is considered an important indicator of the success of an organization [1]. Increasing employee performance is influenced by several variables, including the work environment and leadership behavior [2]. Therefore a leader is needed who plays an important role in maintaining employee performance [3]. In the last three decades, transformational and transactional leadership have dominated the leadership literature in the workplace and have had an impact on resource development [4]. Transformational and transactional leadership practices can align members, maintain competitiveness and manage resource time so as to achieve the goals of the organization [5]. Transactional leadership fosters expectations, rewards for results, and actively participates in correcting work errors. Meanwhile, the transformational leadership type balances by approaching employees feelings, values, and perceptions to be optimistic about performance [6]. Although the impact of transformational and transactional leadership on performance has been studied, there are still inconsistent studies regarding the relationship between leadership and performance [7]. Research also shows an indirect effect on performance through factors such as organizational commitment, OCB and self-efficacy but only a few use

psychological empowerment as a mediator [2]. Meanwhile, the transformational leadership type balances by approaching employees feelings, values, and perceptions to be optimistic about performance [6]. Although the impact of transformational and transactional leadership on performance has been studied, there are still inconsistent studies regarding the relationship between leadership and performance [7]. Research also shows an indirect effect on performance through factors such as organizational commitment, OCB and self-efficacy but only a few use psychological empowerment as a mediator [2]. Meanwhile, the transformational leadership type balances by approaching employees feelings, values, and perceptions to be optimistic about performance [6]. Although the impact of transformational and transactional leadership on performance has been studied, there are still inconsistent studies regarding the relationship between leadership and performance [7]. Research also shows an indirect effect on performance through factors such as organizational commitment, OCB and self-efficacy but only a few use psychological empowerment as a mediator [2]. Although the impact of transformational and transactional leadership on performance has been studied, there are still inconsistent studies regarding the relationship between leadership and performance [7]. Research also shows an indirect effect on performance through factors such as organizational commitment, OCB and self-efficacy but only a few use psychological empowerment as a mediator [2]. It is very important to examine the inconsistencies in the mediating factors to find out how strong the effect of psychological empowerment is on performance. Psychological empowerment is also something that is neglected in the engineering industry because it is more focused on production. While research on the energy sector is considered important because of the high risk and the ability of employees in safety is prioritized [8]. In previous research, leadership mediated by psychological empowerment shows persistence in facing challenges in achieving work goals [9]. In this view, this study explores more the dimensions of overall employee performance i.e. contextual and counterproductive performance not just task performance to obtain richer results and the mediating role of psychological empowerment between employee performance in the mining contractor.

2 Literature Review

2.1 Employee Performance

Employee performance is defined as actions aligned with organizational goals. Consists of three dimensions including task performance, contextual performance, and counterproductive work behavior. The definition of the three dimensions, namely task performance (TP) is defined as how to work with the skills of individual employees to carry out core tasks or work centers. Contextual Performance (CP) is a behavior that supports the work, social, and psychological environment which is shown by teamwork, facilitating fellow colleagues in the organization, and communicating well with the team. CWB or Counterproductive work behavior is behavior that does not support or harm the

welfare of the organization. This dimension is carried out to measure organizational and interpersonal deviation [10].

2.2 Transformational and Transactional Leadership

Transformational, transactional leadership is a type of leadership in one unit in full range leadership which was introduced by Bass and Avolio in 1990. Full range leadership consists of three styles, namely transformational, transactional, and *laissez-faire*. Transformational leadership consists of four dimensions, namely individual consideration, intellectual stimulation, ideal influence, and inspirational motivation. In practice, through this leadership style, it is hoped that the vision can develop and be well followed by employees due to the development of a sense of trust, motivation and respect for leaders. Whereas the transactional type focuses on processes where there is compliance and rewards. There are three behaviors including contingent, reward, passive management, by exception, and active management [11].

2.3 Psychological Empowerment

The newest empowerment in research is empowerment as a psychological process. Psychological empowerment is also more effective for studying individual employee perspectives because it provides a mediating link between empowerment actions and employee outcomes such as engagement, satisfaction, and organizational commitment. Psychological empowerment has three main dimensions, namely Power as perceived control (PC) which is carried out by delegation, increasing participation, and providing information and resources so that employees feel confident and can control the environment. Power as perceived competence (COMP), namely the dimension of competence that can be felt translated as an empowerment strategy by increasing self-efficacy in each individual for the competencies that have been given. Competence is considered as a critical dimension in empowerment in research. Power as being energized toward achieving valued goals (GI) is a dimension explaining that achieving goals in the organization is needed to internalize organizational goals. This is expected to change the beliefs and behavior or actions of employees so that they are in line with the organization [12].

2.4 Transformational and Transactional Leadership with Performance

Employees feel valued and receive support from leaders with transformational leadership styles who have motivating, intellectual and inspiring behaviors. This is what makes employees express organizational commitment and improve performance to help the organization achieve its goals [13]. Employees perform higher-performing jobs and are more committed to the organization due to adopting the behavior of leaders with a consultative and participative transformational leadership style. Transactional leadership is considered capable of improving the performance of members, especially in the military or environmental divisions with conditions where deviations in performance can be fatal. This is because transactional leadership is very effective in standards with high routine [14]. H1: transformational leadership has a positive influence on employee performance in mining contractors. H2: transactional leadership has a positive influence on the performance of employees in mining contractors.

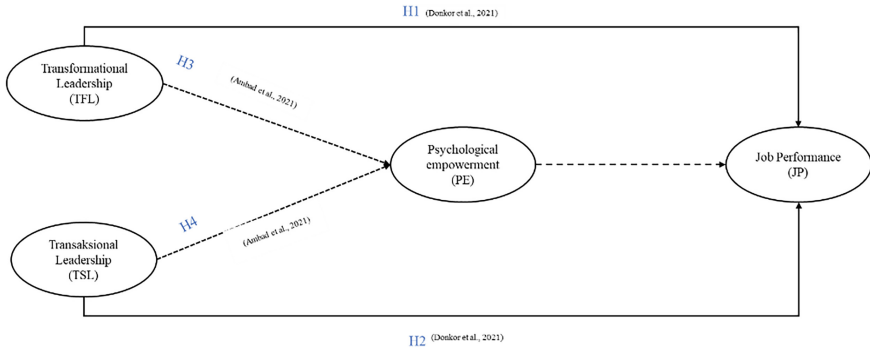


Fig. 1. Frameworks

2.5 Transformational and Transactional Leadership with Performance Through Empowerment Mediation

In the structural approach, empowerment is understood as authority in making decisions and giving power, this can be exemplified by the power holders transferring to those who are not in power. Empowerment approach based on motivational and see as providing energy or work motivation. In the leadership approach, leaders provide energy and empower members to achieve the vision [12]. Leaders are advised to encourage employees to face difficult challenges as an empowerment strategy through interesting ideas to influence employees. From the three review approaches, empowerment shows that there are three dimensions, namely power as perceived control, perceived power of competence, and energy power to achieve valued goals. Psychological empowerment and developmental training programs are also considered important as leadership interventions to optimize high performance. H3: Transformational leadership has a positive influence on employee performance in mediating psychological empowerment in mining contractors. H4: Transactional leadership has a positive influence on employee performance in mediating psychological empowerment in mining contractors (Fig. 1).

3 Methodology

In this study, data was collected through a survey using a closed questionnaire with the variables Transformational Leadership, Transactional Leadership, Psychological Empowerment, and Job Performance. The variables TFL and TSL were quoted from Bass & Avolio’s research (1990) with a total of 32 indicators, the PE variable was quoted from Menon’s study (2001) with 15 indicators, and the JP variable was quoted from Koopmans study (2004) with 18 indicators. Researchers used a 5-point Likert scale. This research was conducted at one of the mining service contractors in Indonesia with a total of 320 respondents and seven projects from three provinces, namely South Kalimantan, Central Kalimantan and South Sumatra by email and respondents responses were collected through an electronic questionnaire, Google form. Respondents in this study were male and female, permanent employees or have passed probation, working 12 h a day at the project site or field, working with a roster system, working in a

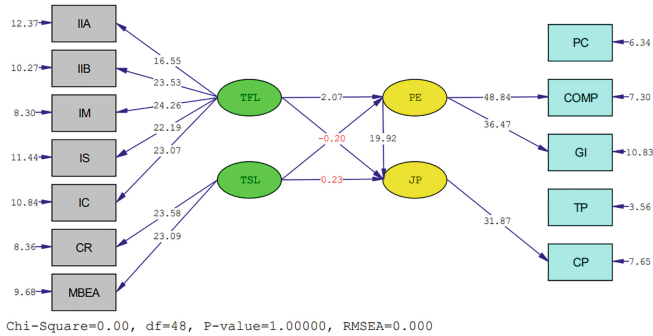


Fig. 2. Result of Relations between Variables

mining contractor service company. Furthermore, the results of responses from respondents using the Structural Equation Modeling (SEM) method have provided accurate and efficient estimates for assessing models with complicated structures by estimating different order of model equations. This study uses Lisrel 8.80 Full Version to process SEM data. The indicator is considered valid if the SLF value is ≥ 0.5 . In comparison, it is considered reliable if Build Reliability (CR) ≥ 0.7 and its Variance Extracted (VE) value ≥ 0.5 . Furthermore, from the results of SEM and CFA, can also be determined the significance of the relationship between variables. Furthermore, the sobel test was carried out to determine the significance value of the mediator.

4 Results and Discussion

4.1 Results

Test the validity and reliability of the main-test stage in this study following the rules of the SEM method, namely by looking at the loading factor (SLF) value from the results of the confirmatory factor analysis, while an indicator is said to be valid if the SLF value is above 0.5. Meanwhile, the reliability test is calculated using the SLF and error numbers so that it produces values above 0.7 and 0.5 for errors. There were several invalid indicators that were omitted, namely CP8, PC1, PC2, PC3, IIA1, IIB1, IS2, CR1, MBEA1, and MBEP1. These indicators are not included in further data processing (Table 1).

Based on the results of the previous model fit test which did not meet the GOF assumptions, the researchers respecified the SEM procedure, namely modifying the error covariance index in SEM. However, the increase was not significant, so the researchers used a robust likelihood estimate. It should be noted that the above path diagram results have passed the fit test, as required in the SEM analysis, including RMSEA and SRMR ≤ 0.05 and NFI, NNFI, CFI, IFI, RFI, GFI ≥ 0.9 . Following are the results of the suitability test after re-specification and estimation. In addition, to determine the mediating effect of Psychological Empowerment, it is necessary to carry out further calculations using the Sobel test as shown in Table 2 and (Fig. 2)

Table 1. Analysis of the Measurement Model (Outer Model)

| Indicators | Mean | SLF | CR | Ve | Conclusion | Indicators | Mean | SLF | CR | Ve | Conclusion |
|----------------------------------|------|------|------|------|------------|-----------------------------|------|------|------|------|------------|
| Job Performance | | | 0.95 | 0.90 | reliable | Transformational Leadership | | | 0.97 | 0.85 | reliable |
| TP2 | 4,41 | 0.78 | | | Valid | IIA2 | 3.92 | 0.61 | | | Valid |
| TP3 | 4,34 | 0.76 | | | Valid | IIA3 | 3,62 | 0.61 | | | Valid |
| TP4 | 4.39 | 0.73 | | | Valid | IIA4 | 3.58 | 0.39 | | | Valid |
| CP2 | 4.30 | 0.66 | | | Valid | IIB2 | 4,26 | 0.76 | | | Valid |
| CP3 | 4,19 | 0.65 | | | Valid | IIB3 | 4,11 | 0.71 | | | Valid |
| CP4 | 4,47 | 0.74 | | | Valid | IIB4 | 4,24 | 0.75 | | | Valid |
| CP5 | 4,40 | 0.75 | | | Valid | IM1 | 4,16 | 0.75 | | | Valid |
| CP6 | 4,19 | 0.75 | | | Valid | IM2 | 4.09 | 0.70 | | | Valid |
| CP7 | 4,14 | 0.67 | | | Valid | IM3 | 4.09 | 0.82 | | | Valid |
| CWB1 | 2.48 | 0.56 | | | Valid | IS1 | 4,20 | 0.57 | | | Valid |
| CWB3 | 3.54 | 0.65 | | | Valid | IS3 | 3.69 | 0.54 | | | Valid |
| CWB4 | 3.65 | 0.74 | | | Valid | IS4 | 3.94 | 0.74 | | | Valid |
| CWB5 | 4,10 | 0.80 | | | Valid | IC1 | 3.98 | 0.71 | | | Valid |
| Psychological empowerment | | | 0.97 | 0.91 | reliable | IC2 | 3.78 | 0.53 | | | Valid |
| PC5 | 4.59 | 0.77 | | | Valid | CR2 | 3.99 | 0.60 | | | Valid |
| COMP1 | 4.36 | 0.69 | | | Valid | CR3 | 4,12 | 0.77 | | | Valid |
| COMP2 | 4,40 | 0.82 | | | Valid | CR4 | 4.08 | 0.72 | | | Valid |
| COMP4 | 4,43 | 0.78 | | | Valid | MBEA2 | 4.08 | 0.77 | | | Valid |
| COMP5 | 4.37 | 0.77 | | | Valid | MBEA3 | 4.01 | 0.71 | | | Valid |
| GI1 | 4,34 | 0.77 | | | Valid | MBEA4 | 4,15 | 0.76 | | | Valid |
| GI3 | 4.38 | 0.79 | | | Valid | MBEP2 | 2.34 | 0.70 | | | Valid |
| GI4 | 4,29 | 0.73 | | | Valid | MBEP3 | 2.76 | 0.64 | | | Valid |
| GI5 | 4,41 | 0.80 | | | Valid | MBEP4 | 2.30 | 0.69 | | | Valid |

4.2 Discussion

In this study, it shows the effect of transformational leadership and transactional leadership on employee performance and also the mediating effect of psychological empowerment. Based on this study, transformational leadership and transactional leadership do not have a direct effect on employee performance. This study shows that psychological empowerment has a significant positive effect as a contribution to mediation, this is like previous research [12]. This shows that the transformational style has a positive impact on employee performance as long as employees feel empowered psychologically and have a high commitment to the organization. The findings in this study are interesting because only transformational leadership can affect performance and must go through psychological empowerment. In this study, the highest value of the dimension of transformational leadership is in inspirational motivation with the meaning of the leader motivating members by giving meaning and challenges to the work done. Where in the companies studied, the most age in the respondents is the age range of

Table 2. Relationship between Variables

| Relationship between Variables | Relationship based on Hypothesis | *t-value | Significant Sobel (α) | Conclusion |
|--------------------------------|--|----------|---|-------------------------------|
| Direct | TFL—JP | -0.20 | | Insignificant |
| | TSL — JP | 0.23 | | Insignificant |
| Indirects | TFL--PE--JP Ta = TFL - PE Tb = PE - JP | | (Ta = *2.07; Tb = *19.92) α = **0.03950254 | Positively Significant |
| | TSL--PE--JP Ta = TSL - PE Tb = PE - JP | | (Ta = *-0.20; Tb = *19.92) α = **0.84148846 | Insignificant |

* Absolute (t-value) > 1.96 --- Significant, ** Mediation significance was calculated for the SOBEL Test ** $\alpha < 0.05$.

Table 3. Hypothesis Result and Conclusion

| | Hypothesis | Conclusion |
|-----------|---|----------------------------|
| H1 | Transformational leadership has a positive impact on the job performance of employees in the mining contractor | The hypothesis is rejected |
| H2 | Transactional Leadership has a positive impact on the Job performance of employees in the mining contractor | The hypothesis is rejected |
| H3 | Psychological Empowerment mediates the positive impact between Transformational Leadership and Job Performance of employees in mining contractors | The hypothesis is accepted |
| H4 | Psychological Empowerment mediates the positive impact between Transactional Leadership and Job Performance of employees in mining contractors | The hypothesis is rejected |

20–40 years. This age is the millennial era with creative and challenging characters [15]. By providing motivation at work and giving meaning to challenges to individuals, transformational leadership can provide good psychological empowerment to employees. Seeing from previous research that psychological empowerment is still rarely studied as a mediation of leadership and performance. Looking at the results of the study, the highest factor loading value is the COMP dimension on the psychological empowerment variable. Employees with higher empowerment, especially in the competence dimension which is synonymous with self-efficacy. Self-efficacy is the belief of individuals with competence or ability to increase the cognitive resources, actions, and inner motivation needed to fulfill performance or work in certain situations [16]. This shows that leaders must increase self-efficacy in each individual for competency. Leaders who increase

self-efficacy by developing learning in place of performance and increasing a sense of self-mastery can make employees successful in fulfilling tasks and challenges in carrying out tasks. This is in line with Maslow's theory of needs number 4, namely self-esteem. Where employees need psychological empowerment which includes self-esteem and achievement. Employees with high self-esteem will provide higher performance. Leaders who want to improve employee performance must also be able to communicate what they want to achieve in organizational goals and create a controlled sense of motivation and self-efficacy [16]. Where employees need psychological empowerment which includes self-esteem and achievement. Employees with high self-esteem will provide higher performance. Leaders who want to improve employee performance must also be able to communicate what they want to achieve in organizational goals and create a controlled sense of motivation and self-efficacy [16]. Where employees need psychological empowerment which includes self-esteem and achievement. Employees with high self-esteem will provide higher performance. Leaders who want to improve employee performance must also be able to communicate what they want to achieve in organizational goals and create a controlled sense of motivation and self-efficacy [16] (Table 3).

5 Conclusion

This study aims to find out the effect of transformational and transactional leadership types on employee performance and also the mediating effect of psychological empowerment of one of the mining contractors in Indonesia. Meanwhile, from the results of data processing, researchers can conclude several points, namely leadership with transformational and transactional types has not been able to have a direct influence on employee performance. Where this is shown from the results that have not been significant from the leadership variable to the employee performance variable. Furthermore Empowerment Engagement mediates fully between transformational leadership that can improve employee performance. Only transformational leadership can exert influence by mediating empowerment to improve employee performance. The implication of this research is that leaders can convey the vision and mission well, organizational goals must also be conveyed properly and clearly so that company goals can be well understood by employees as an example of internalizing the dimensions of psychological empowerment. The limitations of this study are that the character or type of leader has not been determined beforehand and the separation of respondents based on the type of leadership so that in future research the type of leadership in the organization can be mapped in advance.

References

1. Pandey, J.: Factors affecting job performance: an integrative review of literature. *Management Research Review* 42, 263-289 (2018).
2. Carbacos, ML, Rodriguez, PV, & Pineiro, LM: An approach to employees' job performance through work environmental variables and leadership behaviors. *Journal of Business Research* 140, 361-369 (2021).

3. Torlak, NG, & Kuzey, C.: Leadership, job satisfaction, and performance links in private education institutes of Pakistan. *International Journal of Productivity and Performance Management*, 68, 276-295, (2019).
4. Bezuidenhout, A., & Schultz, C.: Transformational leadership and employee engagement in the mining industry. *Journal of Contemporary Management* 10, 279-297 (2013).
5. Alghusain, N., & Al-Ajlouni, MI: Transformational leadership as an antecedent for organizational commitment and job performance in the banking sector of Jordan. *int. J. Productivity and Quality Management* 30(2), 186–213 (2020).
6. Huang, YT, Liu, H., & Huang, L.: How transformational and contingent reward leaderships influence university faculty's organizational commitment: the mediating effect of psychological empowerment. *Studies in Higher Education*, 2–18 (2020).
7. Yousef, DA: Organizational commitment: a mediator of the relationships of leadership behavior with job satisfaction and performance in a non-western country. *Journal of Managerial Psychology* 15, 6-24 (2000).
8. Setiawan, A., Wibowo, AP, & Rosyid, FA: Analysis of coal export and coal consumption effects on economic growth in Indonesia. *Journal of Mineral and Coal Technology* 16, 109-124 (2020).
9. Ambad, SN, Kalimin, KM, Damit, DH, & Andrew, JV: The mediating effect of psychological empowerment on leadership styles and task performance of academic staff. *Leadership & Organization Development Journal* 42, 763-782 (2021).
10. Koopmans, L., Bernard's, CM, Hildebrandt, VH, Schaufeli, WB, De, HCW, & Beek, AJ: Development of an individual work performance questionnaire. *International Journal of Productivity and Performance Management*, 62, 6-28 (2012).
11. Bass, BM, & Avolio, BJ: Multifactor Leadership Questionnaire: Manual and sample set (Form 5x Short). Mind Garden, CA (2022).
12. Menon, ST: Employee empowerment: An integrative psychological approach. *Applied Psychology: An International Review* 50(1), 153–180 (2001).
13. Ribeiro, N., Yucel, I., & Gomes, D.: How transformational leadership predicts employees' affective commitment and performance. *International Journal of Productivity and Performance Management* 67, 1901-1917 (2018).
14. Corcoles, MM, & Stephanou, K.: Linking active transactional leadership and safety performance in military operations. *Safety Science* 96, 93–101 (2017).
15. Zhang, M., & Zhao, Y.: Job characteristics and millennial employees' creative performance: a dual-process model. *Chinese Management Studies* 15(4), 876-900 (2020).
16. Qing, M., Asif, M., Hussain, A., & Jameel, A.: Exploring the impact of ethical leadership on job satisfaction and organizational commitment in public sector organizations: the mediating role of psychological empowerment. *Review of Managerial Science* 14, 1405–1432 (2019).

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

