This research has four main objectives; first, to prove and analyze the influence of transformational leadership towards employee job satisfaction; Second, to prove and analyze the influence of transformational leadership towards organizational commitment; Third, to prove and analyze the influence of transformational leadership towards employee performance; Fourth, to prove and analyze the influence of organizational commitment towards the employee performance. This research involved 146 members of middle-management as our research sample namely Head of Department, Plantation Manager, Plant Manager, Head of Bureau/Division, Head Assistant, Head of Strategic Business Unit (SBU), Chief Engineer and Head of Hospital Service. Structural Equation Modeling (SEM) was used to test and analyze relationship among the research variables. Research findings are transformational leadership significantly influences job satisfaction, transformational leadership significantly influences the organization commitment. The job satisfaction is shown to have significant influence on employee performance, and organization commitment significantly influences the employee performance.

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**Keywords**: Transformational Leadership, Job Satisfaction, Organizational Commitment, Employee Performance

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**ABSTRACT**

This research has four main objectives; first, to prove and analyze the influence of transformational leadership towards employee job satisfaction; Second, to prove and analyze the influence of transformational leadership towards organizational commitment; Third, to prove and analyze the influence of transformational leadership towards employee performance; Fourth, to prove and analyze the influence of organizational commitment towards the employee performance. This research involved 146 members of middle-management as our research sample namely Head of Department, Plantation Manager, Plant Manager, Head of Bureau/Division, Head Assistant, Head of Strategic Business Unit (SBU), Chief Engineer and Head of Hospital Service. Structural Equation Modeling (SEM) was used to test and analyze relationship among the research variables. Research findings are transformational leadership significantly influences job satisfaction, transformational leadership significantly influences the organization commitment. The job satisfaction is shown to have significant influence on employee performance, and organization commitment significantly influences the employee performance.
several state-owned plantation enterprises have transformed to real corporations shedding their bureaucratic patterns. The transformation from “bureaucracy” to “corporation” remains the main agenda of state-owned plantation enterprises.

Furthermore, inspite of the state-owned plantation’s organizational structure that support decentralized authority, the bureaucracy issue exists due on the ineffectiveness of authority delegation as a result of paternalistic culture.

Paternialism is different from leadership. While leaderships the process of influencing others to achieve organizational benefits, paternalism is identical to superiority. Paternalism is a value system with absolute dependence to the leader. In paternalistic organization, the member of organization assumes that the authority and accountability relies on the leader. Therefore, the responsibility of organizational development relies primarily on the leader. In paternalistic organization, the application of modern management principles which is based on Good Corporate Governance where professionalism becomes the attributes of all members of organization can be difficult.

Leadership plays a key role in company restructuring especially in plantation business. The majority of state-owned plantation company requires corporate restructuring for privatization and/or privatization. According to theories and prior experiences, in a declining organization performance, restructuring process is more likely to succeed when originated from the leader. This is also relevant to the state-owned plantation company. Considering the need of restructuring, it is necessary for the state-owned plantation companies to have leaders with advanced leadership quality (Nugroho, 2005). Without leader’s sincerity to execute policies for the common good, it will be difficult to revitalize the state-owned plantation performance (BUMN Track, 2008).

In the effort to achieve its best performance, the Board of Directors of PTPN V Riau has made a great effort to achieve a significant breakthrough, as an example, through building corporate vision to be a “World Class Company” (BUMN Track, 2008).

The implementation of this corporate vision supported with strong leadership enabling changes in every aspect of the organization, which is known as transformational leadership. Transformational leadership articulates a vision of the future of the organization realistically, stimulates subordinates intellectually, and gives personal attention to diversity in the subordinate level.

According to Bass dan Avolio (2003), transformational leadership is a change-oriented-leadership, where organization vision is not only formulated, but also implemented through; first, idealized influence, where leader through his/her personal autonomy extraordinarily influences his/her subordinate. Second, inspirational motivation, the ability of leader to emotionally inspire, motivate, cheer, festive, or praise his/her subordinates. Third, individualized consideration, the ability and responsibility of leaders to provide satisfaction and encourage subordinate’s productivity. The leader tends to be friendly, informal, close to the subordinates, treat the subordinates equally, provide advice, help and support for individual development. Fourth, intellectual stimulation reflects the ability of leaders to stimulate the subordinates intellectually through motivation.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total employees (person)</th>
<th>Total Production (Ton)</th>
<th>Productivity per Person Employed</th>
<th>Increase/Decrease in Productivity (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>16,204</td>
<td>2,692,097</td>
<td>129.11</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>16,073</td>
<td>1,726,920</td>
<td>107.44</td>
<td>-16.78</td>
</tr>
<tr>
<td>2007</td>
<td>16,130</td>
<td>1,865,936</td>
<td>115.68</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>16,614</td>
<td>1,896,745</td>
<td>114.17</td>
<td>7.67</td>
</tr>
<tr>
<td>2009</td>
<td>15,501</td>
<td>1,567,266</td>
<td>100.59</td>
<td>-11.30</td>
</tr>
</tbody>
</table>

Reference: PTPN V Riau (2010)
Commitment can be formed at the very beginning when individual initially joins as a member of organization, through well-developed socialization and orientation program. Employee understanding on company details, vision and mission through socialization and orientation program will hasten the unification of employee as an individual within the organization. Commitment directs individual to work according to the company expectation and individual expectation, which encourages better work performance (Luthans, 2005).

Tobing (2009) demonstrates that transformational leadership significantly influences organizational commitment. This research finding is further confirmed by Fortmann et al. (2003) who states that transformational leadership has a significant influence towards organizational commitment.

Basically, a leader should create organizational commitment to the follower by creating follower’s trust. Trust not only depends on the leader’s expertise, but also the leader’s consistency in statements and attitudes.

Third, the next relationship analyzed is the influence of job satisfaction towards employee performance. One will tend to work passionately when job satisfaction is attained. This job satisfaction is the key for morality, discipline, employee performance in supporting company objectives. High employee satisfaction creates company/organization loyalty which later improves employee performance.

Employee performance is defined as results obtained from job functions or activities performed as behaviour and results (Armstrongdan Baron, 2005). Evaluation towards employee performance can be assessed by several parties involved and by a representative evaluator. Robbins (2001) states that usually the best work evaluation is to be done by employee’s direct supervisor. This is related to the fact that direct supervisor is the person responsible for his/her subordinate’s performance for comprehensive evaluation.

Robbins (2001) also suggests that recently not all direct supervisor can directly observe subordinate’s performance because of newly implemented performance system, such as independent team creation, distant work method which creates gap between the supervisor and the subordinates.

Tobing study by Sudarmasto (2005) demonstrates that besides evaluator’s factor, method used in performance evaluation should be well suited, to give representational results. There are five methods of individual performance evaluation.

Mills dan Jackson (2002), states that, employee performance in the context of productivity depends on three major factors; First, innate ability to accomplish task which consist of talent, interest, personality factor, and psychological factor. Second, employee effort level which includes motivation, work ethic, work attendance and work planning. Third, support provided to the work force such as training, tools, known expectation and productive work colleagues.

The above statements are in line with Lussierda-Anchua (2001), which suggests that performance is a function of ability, job satisfaction, motivation and resources. Therefore, in order to increase performance, appropriate actions are required according to the causative factor.

Andrew (2004) finds that job satisfaction significantly influences tennis player’s performance. This finding is supported with study done by Tobing (2009) which argues that job satisfaction significantly influences employee performance. In short, the higher the job satisfaction results in higher the employee performance.

Lastly, influence of organizational commitment on employee’s performance is analyzed in this study. Commitment can initially be built at the initial point of contact of member within the organization, through well-developed socialization and orientation program. Employee understanding on company details, vision and mission, through socialization and orientation program accelerate the unification of employee as an individual within the organization. Commitment directs individual to work according to the company expectation and individual expectation, which provokes better work performance (Luthans, 2005).

Prior research argues that organizational commitment is related to performance (Carmeli and Freund, 2004). Research done by Andrew (2004) involving the collection of samples from employee working in manufacturing and service companies, hypothesizes that organizational commitment is related to performance.

Based on above explanations in the context of the transformational leadership model, employee job satisfaction, organizational commitment and employee’s performance, there are several reasons this research conducts which are; First, transformational leadership variable, employee job satisfaction, organizational commitment, employee performance are crucial elements for the success of organizations and its employee. Hence requiring in-depth research. Second, results inconsistency in previous study with regard to relationship of transformational leadership and performance was noted. Hence, different research model need to be proposed for further investigation. Third, according to several theoretical reviews and researches, transformational approach in leadership model is highly relevant to organization facing global competition with major uncertainties and challenges.

The purposes of this research are; First, to prove and analyze the influence of transformational leadership towards employee job satisfaction; Second, to prove and analyze the influence of transformational leadership towards organizational commitment; Third, to prove and analyze influence of transformational leadership towards employee performance; Fourth, to prove and analyze the influence of organization commitment towards employee performance.
Research Hypotheses

H1. Transformational leadership significantly influences PTPN V Riau employee job satisfaction

H2. Transformational leadership significantly influences PTPN V Riau organizational commitment


H4. Organizational commitment significantly influences PTPN V Riau employee performance.

Interpersonal Variables Research

Initial hypothesis of this study is based on the importance of a leadership role in influencing job satisfaction of employees. In the job satisfaction of subordinates understand there is a correlation with aspects of the work, because basically it's own job satisfaction is an individual, where each individual will have the satisfaction level is different. More and more aspects of the work in accordance with the wishes of the individual, the higher the perceived level of satisfaction and vice versa.

In order to encourage the achievement of job satisfaction of subordinates, the leadership of the organization through transformational leadership should consider the relationship of these factors. If subordinates feel the needs and expectations are met will certainly try to devote myself entirely to sasran and organizational goals. The next subordinate will work better when knowing that the organization provides opportunities for growth (H1).

Transformational leadership must have the ability to match the vision of the future with his subordinates. A vision must be moved by persuasion and inspiration, not by a decision or force. Commitment to this vision is closely related to the belief that subordinates of leaders. It is impossible that a leader is not trusted can successfully achieve its commitment to a new vision for the organization. Trust depends on the perceived expertise of these leaders, but also depends on the consistency of the leaders in the statements and actions of leaders (H2).

Job satisfaction affects employee performance, meaning that an individual's performance will increase when the job satisfaction of individuals are at a high. A person tends to work with passion if satisfaction can be obtained from the work. Job satisfaction is a key driver of employee morale, discipline and work performance of employees in the company’s goals in support tewujudnya. Job satisfaction is high, or both will make employees more loyal to companies or organizations. The higher the job satisfaction of employees will provide opportunities to achieve optimal performance (H3).

In principle, a commitment to grow the organization can be done in various ways. Commitment can be stimulated before someone becomes part of an organization such as carrying out a good selection to get the employees who actually have the perception, expectation, or the value corresponding to the organization. Or someone who will join the organization to understand where they work. Commitment can be formed when someone has just become part of the organization, through a program of socialization and a good orientation. Socialization and orientation program is essential to accelerate the organization's employees. Commitment can be formed even after someone for so long been part of the organization through a career path or provide enough job challenging. Commitment will be of great benefit to the development organization in the future, especially to improve employee performance (H4).

Relationship between research variables and research hypotheses can be seen in Figure 1.

In Figure 1 are shown the positive influence of a variable to another variable, which is preceded by a variable that transformational leadership has a positive effect on job satisfaction of employees. Further transformational leadership has a positive effect on organizational commitment of employees. Linking other variables that positively influence employee performance is the variable of job satisfaction. And finally a positive influence on organizational commitment to employee performance.

METHODS

Research Approach

In order to answer research problems, this research employs qualitative and qualitative approaches. Quantitative approach was done to attain four research objectives which are: to analyze the influence of transformational leadership on job satisfaction, organizational commitment and employee performance at PT. Perkebunan Nusantara V (PTPN V) Riau. On the other hand, qualitative approach is used to obtain a big picture of the real transformational leadership, job satisfaction, organizational commitment and employee performance at PT. Perkebunan Nusantara V, as one of the agribusiness enterprises in Riau Province.

Place of Research

This research was conducted at PT. Perkebunan Nusantara V (PTPN V) Riau Province, a plantation company which spreads across 5 Districts including Rokan Hilir District, Rokan Hulu District, Kampar District, Siak District and Indratig Hulu District.

Research Population and Sample

Population is a group individual or research objects which at least have one similar characteristics (Umar, 2003). Research population in this study is all permanent employees of PT.Perkebunan Nusantara V Riau in 2010. Employees included in this research are middle management employees consists of Head of Deparment, Plantation manager, Plant Manager, Head of Bureau/Division, Head Assistant, Head of Strategic Business Unit (SBU), Chief Engineer and Head of hospital, with the total of 146 respondents.

According to Ferdinand (2006), samples are the subset of population, consisting of several part of population. Sample size has important role in the estimation and interpretation of SEM results. Hair and Ferdinand (2006) suggests that appropriate sample size for SEM analysis is between 100-200. If the sample size is too large > 400, the analysis becomes so sensitive that it is difficult to obtain a good measure of Goodness-of-fit.
The endogenous variable is employee performance (Y3). In this research, the exogenous variable influences the endogenous variable (Sekaran, 2003). In this research the exogenous variable influences the endogenous variable (Ferdinand, 2006). The transformational leadership indicators, which include idealized influence; inspirational motivation, individualized consideration and intellectual stimulation (Bass dan Avolio, 2003) were measured through middle manager’s perception on the scale of: strongly disagree = 1, disagree = 2, quite agree = 3, agree = 4, strongly agree = 5. Employee work satisfaction variable was measured with following indicators: activity, compensation, independence, reward, social status, and social services (Robbins, 2006), having the attribute of very dissatisfied = 1, dissatisfied = 2, quite satisfied = 3, satisfied = 4 and very satisfied = 5. Furthermore, organizational commitment’s indicators are affective, normative and rational (Robbins, 2006) measured in the scale of: strongly disagree = 1, disagree = 2, quite agree = 3, agree = 4, strongly agree = 5. Lastly, the employee performance variable indicators includes: behavior and results (Amstrongdan Baron, 2005) with the attribute of: strongly disagree = 1, disagree = 2, quite agree = 3, agree = 4, strongly agree = 5.

Research Variables and Measurement of Variable Indicators

Research variables can be classified into: First, exogenous variable, variable that are not predicted by other variables in the model (Ferdinand, 2006). It is also known as source variable atau independent variable. In this research, two endogenous variables in this research; First, variable affected when the exogenous variable influences the endogenous variable (Sekaran, 2003). In this research the intervening variable is job satisfaction (Y1) and organizational commitment (Y2). Second, dependent endogenous variable or dependent variable. The endogenous variable is employee performance (Y3).

Sampling technique used in this study is Census Method, a technique of sample selection where all population are considered as samples (Urmar, 2003) which is 146. In other words, the total research samples has fulfilled the data analysis criteria using Structural Equation Modeling (SEM). The distribution of research respondents can be clearly seen in Table 2.

Research Variables and Measurement of Variable Indicators

The detailed results were presented in Appendix 1. The instrument is considered valid unidimensional for GFI score > 0.90 and considered reliable for CFA score > 0.70 (Ferdinand, 2006). The goodness of fit indexes for model evaluation are presented in Table 3.

Table 3. Goodness of Fit Indexes for Model Evaluation

<table>
<thead>
<tr>
<th>Index / Testing</th>
<th>Criterion</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>(X^2) (Chi – Square Statistics)</td>
<td>Small value expected</td>
<td>Testing whether population covariance estimated to be the same as sample covariance (research model proposed according to field data)</td>
</tr>
<tr>
<td>Probability</td>
<td>(\geq 0.05)</td>
<td>Significance test towards covariance matrix estimate of covariance matrix</td>
</tr>
<tr>
<td>RMSEA</td>
<td>(\leq 0.08)</td>
<td>Compensate the weakness of (X^2) – Square in large sample size</td>
</tr>
<tr>
<td>GFI</td>
<td>(\geq 0.90)</td>
<td>Calculate weighted proportion of variance in sample matrix accounted for by the estimated population covariance matrix (analog (R^2) in double linear regression)</td>
</tr>
<tr>
<td>AGFI</td>
<td>(\geq 0.90)</td>
<td>GFI adjusted to DF</td>
</tr>
<tr>
<td>CMIN/DF</td>
<td>(\leq 2.00)</td>
<td>Coherence between research data and model</td>
</tr>
<tr>
<td>TLI</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GFI</td>
<td>(\geq 0.95)</td>
<td>Comparison between investigated model and baseline model</td>
</tr>
</tbody>
</table>


Data Analysis

Validity and Reliability Testing

Data hold important role in a research because they reflect the variable in question and functioned as a tool for hypothesis test. Data validity represents the data quality. This relies on the instrument used which fulfills the validity and readability principles.

The Confirmatory Factor Analysis (CFA) was applied to test instrument’s validity and reliability. The detailed results were presented in Appendix 1. The instrument is considered valid unidimensional for GFI score > 0.90 and considered reliable for Construct reliability score > 0.70 (Ferdinand, 2006).
Descriptive Analysis
Descriptive analysis data is used to figure out variable’s characteristics that are measured by several indicators. Descriptive statistic provides frequency, mean, the maximum and the minimum value of each indicator.

Hypothesis Testing
The influential pattern observed in investigated variable is a causal relationship between one or more independent variables and one or more dependent variables. The causal relationship presented, utilizes an unsimplified research model: the presence of variable with dual role, as an independent variable in one case and as a dependent variable on the other case. This relationship requires analytical tool that is able to simultaneously explain the relationships. Structural Equation Modeling (SEM) was used to test and analyze relationship between research variables using AMOS software (Ferdinand, 2006), suggested the Goodness of Fit Index evaluate research model. It is shown in Table 3.

RESULTS AND DISCUSSION
Test of Instrument Validity and Reliability
Results of test instrumental validity and reliability of each variable are shown in Table 4.

The result of instrument validity and reliability test presented in Table 4 indicates that all research variables are valid and reliable (GFI score > 0.9 and construct reliability > 0.7).

Descriptive Variable
The result of descriptive analysis includes frequency, which is attained from tabulation of 146 responses scores, shown below:

- **Responses on Transformational Leadership Indicators**
  - Respondent’s perceptions towards transformational leadership are: idealized influence (4.29), inspiring motivation (4.19), intellectual stimulation (4.25) and individual consideration (4.13). This result indicates that the influence/response for each leadership dimension is relatively uniform with Standard deviation of less than 1.

- **Responses on Job Satisfaction Indicators**
  - Respondent’s perceptions towards job satisfaction are: activities (4.14), compensation (4.22), independence (4.11), reward (4.22), service (4.24) and prestige (4.40). The response to each job satisfaction dimension is quite uniform with the S.D of less than 1.

- **Responses on Organizational Commitment Indicators**
  - Respondent’s perceptions on organizational commitment are: affective (4.23), normative (4.12) and rational (4.34). Similarly, uniformity of responses is observed with a lower than 1 standard deviation.

- **Responses on Organizational Employee Performance**
  - Employee performance is perceived as: behavior (4.24) and results (4.35). The response of each work motivation dimension shows uniformity with a standard deviation of less than 1.

Results of Analysis of SEM and Hypothesis Test

Model Testing
Results of Goodness of fit overall model test, done to understand whether hypothesized model supported with empirical data, are presented in Table 5.

According to the result of the Goodness of fit overall model test presented in Table 5, it can be concluded that the seven criteria used model feasibility testing have fulfilled the requirement, without requiring any further adjustment. This indicates good fit of the measurement model and hence proposed model considering data and research model coherence.

Hypothesis Test
Results of hypothesis test between research variables in each path according to SEM analysis, are concisely presented in Table 6.

Table 4. Results of Validity and Reliability Instrument Testing

<table>
<thead>
<tr>
<th>Variable</th>
<th>GFI</th>
<th>Construct Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational Leadership(X₁)</td>
<td>0.953</td>
<td>0.919</td>
</tr>
<tr>
<td>Job Satisfaction(Y₁)</td>
<td>0.958</td>
<td>0.853</td>
</tr>
<tr>
<td>Organizational Commitment</td>
<td>1.000</td>
<td>0.967</td>
</tr>
<tr>
<td>Employee Performance</td>
<td>0.986</td>
<td>0.809</td>
</tr>
</tbody>
</table>

Reference: Data analysis (2010)

Table 5. Results of Goodness of Fit Overall Model Test

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Cut-off Value</th>
<th>Results</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>Small</td>
<td>157.410</td>
<td>Good Model</td>
</tr>
<tr>
<td>p-value</td>
<td>≥ 0.05</td>
<td>0.634</td>
<td>Good Model</td>
</tr>
<tr>
<td>RMSEA</td>
<td>≤ 0.08</td>
<td>0.045</td>
<td>Good Model</td>
</tr>
<tr>
<td>AGFI</td>
<td>≥ 0.90</td>
<td>0.986</td>
<td>Good Model</td>
</tr>
<tr>
<td>TLI</td>
<td>≥ 0.95</td>
<td>0.977</td>
<td>Good Model</td>
</tr>
<tr>
<td>GFI</td>
<td>≤ 2.00</td>
<td>1.227</td>
<td>Good Model</td>
</tr>
<tr>
<td>CFI</td>
<td>≥ 0.95</td>
<td>0.955</td>
<td>Good Model</td>
</tr>
</tbody>
</table>

Reference: Data analysis (2010)

Table 6. Results of Hypothesis Test of Variables Influence

<table>
<thead>
<tr>
<th>No</th>
<th>Independent Variable</th>
<th>Dependent Variable</th>
<th>Path Coefficient</th>
<th>p-value</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Transformational leadership(X₁)</td>
<td>Job satisfaction(Y₁)</td>
<td>0.984</td>
<td>0.035</td>
<td>Significant</td>
</tr>
<tr>
<td>2</td>
<td>Transformational leadership(X₁)</td>
<td>Organizational Commitment(Y₂)</td>
<td>0.635</td>
<td>0.004</td>
<td>Significant</td>
</tr>
<tr>
<td>3</td>
<td>Job satisfaction (Y₁)</td>
<td>Employee Performance(Y₃)</td>
<td>0.642</td>
<td>0.003</td>
<td>Significant</td>
</tr>
<tr>
<td>4</td>
<td>Organizational Commitment(Y₂)</td>
<td>Employee Performance(Y₃)</td>
<td>0.968</td>
<td>0.034</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Note: *** = p < 0.001
Reference: Data analysis (2010)
This findings are aligned with results of other study by TondokdanAndarika (2004), which mentioned that transformational leadership have a positive and significant impact on job satisfaction. However, this finding is contrary to the research by Sudarmasto (2005), which suggested that transformational leadership did not significantly influence job satisfaction.

Furthermore, research resultare in line with Robbin’s finding (2001). There are several influential process found as a result of transformational leadership. The first is the influence of transformational leadership towards job satisfaction. Transformational leadership is a leadership that considers the need of individual self-development as well as stimulating and inspiring the followers to accomplish more in reaching their work goals.

Robbins (2001) concept was supported with Sudarmasto(2005), which suggested that transformational leadership is change-oriented leadership, in which organization vision is not only formulated but also implemented. According to Bass and Avolio (2003), transformational leadership is change-oriented leadership, in which organization vision is not only formulated but also implemented through: First, idealized influence. Leader, through personal authority can extraordinarily influence his/her subordinates. In the context of PTPN V, the idealized influence arises in a consistent leader. The subordinates not only admire and respect but also trust the leader. As an example, before enforcing discipline to the subordinates, leader first nurtures a self-disciplined attitude. The second is inspirational motivation.

This refers to leader’s ability to emotionally inspire, motivate, cheer, festive dan even praise his/her subordinates. In this research, the manager provides support and encouragement to the subordinates to achieve organization goals, employee promotion is provided as a reward. Third, individualized consideration, the ability and responsibility of a leader in providing satisfaction and encourage subordinate’s productivity. The leader tend to be friendly, informal, close to his/her subordinate and treat them equally, providing advice, help and support for personal development. For instance, the plant manager of PTPN V Riau encourages the subordinates to continuously enhance their career prospects through improvement in productivity. In this way, an employee can be recommended for advancement in rank or position in the company. The last is intellectual stimulation. It is the ability of a leader to intellectually stimulate his/her subordinates through motivation. For an example, leaders at the plant manager level at PTPN V Riau, allow the subordinates to communicate any problems and issues as well as the potential proposed solutions.

To further understand job satisfaction, it should be noted that job satisfaction is subjective in nature, where each individual experiences different level of job satisfaction. The more job aspects match individual’s desire, the higher job satisfaction, and vice versa.

Transformational Leadership Significantly Influences the PTPN V Riau Employee Organizational Commitment

This study found that transformational leadership insignificantly influences employee organization commitment. Hence, the transformational leadership at PTPN V Riau has significant influence on employee organization commitment. In conclusion, there is not enough empirical evidence to accept the hypothesis (H3) which states that transformational leadership significantly influences employee organizational commitment.

Research by Tobing (2009) finds that transformational leadership has significant influence on organizational commitment. This finding is further supported with the study done by Fortmann et al. (2003) which proposes significant influence of transformational leadership towards organizational commitment.

Transformational leadership improves organizational commitment, for instance, through the ability of middle management to assist their subordinate’s career advancement or involve them in training programs. This creates reluctance for employees to leave the company because of the potential of career advancement.

Direct transformational leadership can increase organizational commitment. A leader should emphasize the subordinates to do their utmost work as they are part of the organization.

Furthermore, transformational leadership also enhances organizational commitment of the subordinates through vision transmission. Commitment to company vision is strongly related to follower’s trust in the leader. The transformational leadership applied in PTPN V Riau is shown to strengthen organizational commitment by emphasizing subordinates to do their utmost work, considering that they are part of the organization.

Job Satisfaction Significantly Influences the PTPN V Riau’s Employee Performance

The study results demonstrate that job satisfaction significantly affects employee’s performance. As previously mentioned, the higher PTPN V Riau’s employee job satisfaction the higher their performance are. In short, there is enough empirical evidence to accept Hypothesis 3 (H3) which states employee job satisfaction significantly influences employee’s performance.

This is in line with study done by Andrew (2004) which argues that job satisfaction significantly influences tennis player’s performance. Similar finding is suggested by Tobing (2009) which demonstrates that job satisfaction significantly influences employee performance. Short, the higher the job satisfaction results in higher the employee performance.

Employee satisfaction impacts on improvement in PTPN V Riau’s employee performance. In order to
achieve optimal performance, a plantation manager must be responsible to any issues related to region/sector allocated as his/her area of responsibility. For instance, plantation unit A requires a plantation assistant. If positive work performance was observed, the person would be promoted to handle wider section, as an example, plantation sector type B. This reward system stimulates job satisfaction to the employee because the workload/responsibility is delegated according to one's ability. The job satisfaction therefore, increases work performance.

**Managerial Implications**

From the analysis and findings of research conducted, resulting implications in the field of human resource management, especially those associated with transformational leadership, job satisfaction, organizational commitment and employee performance. Of the relationship between variables indicate if the study confirm previous research work, therefore the results of this study can be an empirical reference for the practitioner to implement important policies related to these variables along with examining the indicators used in this study.

Obtained in addition to the positive implications, this study also has limitations of the study. Although already qualified the use of SEM, but research is still using relatively few respondents compared to the possibility of many employees who engage in transformational leadership. Another limitation is the subject of this study involved only middle manager, the PT. Nusantara V. Developed a possible future studies that use subjects who engaged in similar businesses and industries, such as PT. Plantation and PT Nusantara II. Nusantara III plantation in North Sumatra and PT. VII Nusantara Plantation in Lampung province.

Further assume that this research model to build on this research is only determined by a series of transformational leadership variables, job satisfaction, organizational commitment and employee performance. Yet the reality may not be as simple as that. Foreseen to expect other important variables such as, competencies, education and training, organizational culture, innovation, compensation and work environment.

**Conclusion**

1. Transformational leadership significantly influences employee job satisfaction at PTPN V Riau. In other words, transformational leadership should be able to understand the diverse need of individuals. The more work aspects match with the individual desires, the higher employee job satisfaction at PTPN V Riau.

2. Transformational leadership significantly influences employee organization commitment at PTPN V Riau. This implies that transformational leadership should encourage employee's trust. Trust building relies on leader's expertise and leader's consistency in articulating statements and attitudes. As a result, transformational leadership improves employee's organizational commitment at PTPN V Riau.

3. Job satisfaction significantly influences PTPN V Riau employee performance, suggesting that job satisfaction improves PTPN V Riau employee performance. Satisfied employee has better performance than those unsatisfied. The satisfaction results in happiness which means that the company meets employee's work expectation.

4. Organizational commitment has significant influence on PTPN V Riau's employee performance. The finding implies that job satisfaction enhances PTPN V Riau's employee performance. A high level of organizational commitment promotes loyalty to the company.

**Recommendations**

1. The theories that have been developed in this research can be further developed and continued in the future research conduct, to create more comprehensive problem solving model for transformational leadership, job satisfaction, organizational commitment and employee performance.

2. PTPN V Riau leaders should predominantly implement transformational leadership in every leadership layer, especially in the middle management level.

3. The leader and the management of PTPN V Riau should increase the employee’s work satisfaction level. Furthermore, the middle management should optimize their capabilities in reaching the set target to improve employee performance. Efforts in developing job satisfaction should focus on the main contributing factors such as: activities, compensation, independence, reward, social status and social services.

4. The leader and the management of PTPN V Riau should enhance organizational commitment. This can be done through embedding of company vision throughout the three aspects of commitment, namely affective, normative and rational commitment.

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Value Creation through Acquisition Strategy: A Study of Volvo’s Acquisition by Geely

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Keywords: value creation, acquisition, Geely, Volvo, automotive, China, event study, abnormal return, cumulative abnormal return, management, brand perception, cross border transaction

This paper examines the value creation on the acquisition of Volvo Car Corp by Zhejiang Geely Holding Group. The acquisition of Volvo by Geely became an interesting topic to discuss since it was the first time in automotive industry that a Chinese company acquired an international company with a considerably high transaction amount. The paper examines the short term value creation using event study to calculate abnormal returns of each company’s stock during the announcement period and measuring the significance of the cumulative abnormal return. The findings are consistent with previous studies over the years which have shown that most acquisitions fail to add value for shareholders in the acquiring company. The paper discusses the broad managerial implications of the findings this paper discusses on marketing aspect after the acquisition by integrating two different brand perceptions.

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Automotive industry in China has been growing tremendously for the last some years (China Association of Automobile Manufacturers, 2009; Ma, Pagán, & Cha, 2009), since auto industry to become the big 10 internationally it became the member of World Trade Organization and was more exposed to open market mechanism (World Trade Organization, 2001). Considering the increase of fierce global competition and the slowdown of the global economy, Chinese government decided to revitalize the automotive industry. Acquisition strategy was one of the Chinese government strategy to speed up China auto industry to become the big 10 internationally auto manufacturer as well as to attract more international capital (Harlem & Scramm, 2009).

The prerequisite of the successful merger and acquisition (M&A) as the vehicle for improving