The Effect of Empowering Leadership and Leader-Member Exchange on Employee Performance

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ABSTRACT

BPJS Ketenagakerjaan nationally has experienced an increase in quantity, such as an increase in the number of employees, prospective employees, number of participants, payment of claims, even in terms of the number of work accidents and deaths of participants has also increased. In terms of quality, such as the satisfaction of BPJS Ketenagakerjaan participants based on the survey, it has also increased. This means that every year there are improvements in service and management performance of BPJS Ketenagakerjaan. However, in addition to improving operational performance both qualitatively and quantitatively, there were also internal problems, especially from the leadership aspect. The subjects of this study were employees working at the BPJS Ketenagakerjaan in the West Sumatra Regional Office. As the population in this study were all employees at the BPJS Ketenagakerjaan Regional Office of West Sumatra, totaling 154 people. The number of samples in this study were 61 respondents and the sample were taken by random sampling method, namely taking random samples which were considered to represent all employees. Based on the results of the analysis, several conclusions can be drawn: 1) Empowering leadership influences the performance of BPJS Ketenagakerjaan employees at the West Sumatra Regional Office. 2) Empowering leadership influences the leader-member exchange (LMX) of BPJS Ketenagakerjaan employees at the West Sumatra Regional Office. 3) Leader-member exchange (LMX) influences the performance of BPJS Ketenagakerjaan employees at the West Sumatra Regional Office. 4) Empowering leadership and leader-member exchange (LMX) jointly influence the performance of BPJS Ketenagakerjaan employees at the West Sumatra Regional Office.

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Introduction

A formal, structured, and coordinated union system comprising a group of people working together to achieve specific goals (Hasibuan, 2020). That is, the organization becomes a container for groups of people who collaborate and benefit one another in the pursuit of organizational goals. Thus, the principle of division of work is the fundamental pillar in organizing (Handoko, 2019). Other than serving as a container, an organization is also a series of interactions amongst its members. The interaction of an organization's members, both vertically and horizontally, influences its performance in order to carry out its functions optimally. Communication is the sole way for members of this organization to interact.

The communication process that takes place within the organization, specifically the interaction that takes place between members of the organization. Communication effectiveness is generated by interpersonal relationships among members of the

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organization that are founded on the organizational atmosphere and trust. An interpersonal relationship's success is built on transparency and trust between leaders and subordinates, as well as vice versa (Muhammad, 2019). A seamless and successful activity is made possible by an effective communication mechanism within the organization. Communication is a fundamental component for any business, hence communication tactics impact the organization's overall growth.

Every time there is communication between organization members, which flows according to its level. Sometimes communication goes from management to employees, and sometimes communication flows from employees to management. Leaders in organizations require accurate information every time they make a choice. Employees, too, require information to help them complete the tasks assigned to them. The more information employees have, the better their performance on tasks (Goldhaber, 1990). There is an interchange of experiences, ideas, and information in this scenario. Communication dynamics can have an impact on an organization's ability to fulfill its objectives. Given the importance of communication in supporting an organization's activities, it is crucial to promote effective communication. Because of this, it is important for organizational/institutional leaders to improve effective communication skills (Muhammad, 2019).

Organizational leaders must grasp the diversity in subordinates' attitudes, sentiments, behavior, personality, and competencies. Because each organization is unique and faces distinct challenges. As a result, the effectiveness of the company in attaining its goals is dependent on the leader's leadership style. Effective leaders have the ability to influence their subordinates' behavior in order to achieve organizational goals. (Thoha, 2019) Leadership is the ability to influence people. Leadership is also defined as a person's ability to motivate others so that they can contribute effectively to the achievement of corporate goals (Yulk, 2020; Abdillah et al., 2022; One & Rahmat, 2022; Rahmat, 2022). Leadership is critical to an organization's success since it has the ability to impact the organization's performance.

The role of empowering leadership is very important and needed to align various needs and create conducive work interactions. The effectiveness of a person's leadership is determined by the ability to "read" the situation at hand and can adjust his leadership style to suit the demands of the situation (Samsuddin, 2018 in Amalia, et al, 2021; Yulita et al., 2022; Rahmat, 2022; Rahmat & Handayani, 2022). In a company, management is used to facilitate work performance for employees and to make employees establish good relationships with fellow co-workers and with organizational leaders. The existence of good management and running smoothly makes the company can easily achieve its goals according to a predetermined plan. In addition, employees will feel comfortable at work if there is mutually beneficial interaction between the two sides, namely between superiors and subordinates, especially across generations.

Mangkunegara (Mutamimah, 2013) defines performance as the result of work in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him. Employee performance is closely related to empowering leadership because the main component of empowering leadership is empowering teams to work together and encouraging team members to develop self-management or leadership skills so as to improve employee performance. According to Ahearne, Mathieu, and Rapp (Mutamimah, 2013) the conceptualization of empowering leadership highlights the importance of work, provides participation in decision making, conveys the belief that performance will be high when leaders empower potential employees, are given the authority to do creativity, and make decisions.

Theoretical support

Social Exchange Theory

Social Exchange Theory is a theory that is used to view a relationship that occurs both between individuals and individuals and with groups, in this study the authors look at the relationship between subordinates and leaders. Relationship satisfaction in this study is seen using theory according to West and Turner in the book Introduction to Social Exchange Theory is based on the idea that people view their relationships in an economic context and they calculate the sacrifices and compare them with the rewards they get by continuing that relationship (West and Turner: 2008, 216). Satisfaction is seen if the sacrifice is less than the award, and dissatisfaction itself is seen from the opposite.

Social exchange theory views the relationship of individuals with other individuals by calculating their rewards and sacrifices. In interpersonal communication this theory is used by someone to continue a relationship or not. Interpersonal communication is a face-to-face interaction between two people or several people, where the sender can convey the message directly, and the recipient of the message can also receive it directly ((Hardjana: 2003, 85). In social exchange theory it involves two people or several people in their interactions. and the people in that relationship will of course also look at their relationship whether they will continue a relationship or not, apart from that whether the individuals in it will be satisfied with the sacrifices they spend (cost) and the rewards they get (rewards). and sacrifice will be associated with satisfaction regarding social and personal needs (Budayatna and Leila: 2011, 234).

Empowering Leadership

A leader must have a personality to develop the potential of others (John C. Maxwell and Jim Dornan in Gidion, 2018). A leader not only uses his authority to regulate and influence others, but also uses his authority to empower. The word "empower" is a translation of the word "empower". According to the Webster dictionary and the Oxford English Dictionary, the word "empower" contains two meanings, namely "to give power or authority to" which can be interpreted as giving power, transferring power or delegating authority to other parties, and "to give ability to or an able" means an effort to give ability or power (Gidion, 2018).

Leadership is an instrument to achieve the goals of an organization. With leadership, there is a driving force (human factor) towards the goals that have been planned. So, leadership is a process in which the leader influences, determines, invites, directs, organizes, empowers members through the art of cooperation, fulfilling needs, and the art of training the trainer to do something that is believed to be done (Gidion, 2018).

Empowering leadership is the ability to optimally explore its potential as a dreamer who is committed and directs the people he leads with a clear vision and has the ability to

understand the needs of those he leads. Empowering leadership has the ability and readiness to accept differences and transform these differences into potential wealth. Empowerment is an effort to make humans empowered, to have the power to be able to do something and furthermore to reveal the various potentials that exist within them (Gidion, 2018).

Empowerment is an effort to make people empowered, to have the power to be able to do something and furthermore to reveal the various potentials that exist within them. Anwas said that empowerment does not only emphasize results but rather processes, therefore the measure of success in empowerment is how much participation is carried out by empowered members (Gidion, 2018).

Empowering leadership (Zhang and Bartol, 2010 in Mutamimah, 2013) as a process of implementing conditions that allow sharing of power with employees who describe the importance of work, provide greater autonomy in decision making, trust employees' abilities, and avoid obstacles to performance. Nur Chasanah (2008) concluded that empowerment has no effect on employee performance. This is different from the results of Rasdi Ekosiswoyo's research (in Mutamimah, 2013), that empowerment has a significant positive effect on performance, both directly and indirectly through several mediating variables, such as: psychological empowerment, intrinsic motivation and creative process engagement.

The results of this study were supported by Zhang and Bartol (in Mutamimah, 2013) who concluded that empowering leadership had a positive relationship with psychological empowerment using empowerment role identity interactions, psychological empowerment had a positive relationship with intrinsic motivation and creative process engagement, leader encouragement of creativity interacted significantly with psychological empowerment to influence creative process engagement, and ultimately creative process engagement and intrinsic motivation will have a positive effect on employee performance.

Leader-Member Exchange

According to Kreitner and Kinicki (2005), the LMX model assumes that leaders develop unique one-to-one relationships with each person who reports to them. Usually, leaders tend to select members of in-groups because they have a variety of personality characteristics and attitudes that are similar to those of the leader or because of a higher level of competence than other followers. For example, followers who have a skill acquisition orientation will have higher LMX relationships with their superiors, because such employees will turn to their superiors for valuable information and experiences that can give them prospects for developing skills and self-improvement that can then be achieved. bring benefits to the company (Robbins & Judge, 2007 in Wibowo, 2013).

LMX focuses on the dyadic (two-way) relationship between the leader and each of his followers which is an exchange relationship that aims to increase organizational success by creating a positive relationship between the leader and his followers (Daft, 2011; Graen & Uhl-Bien, 1995; Yukl, 2006 in Wibowo, 2013).

Employees who have high LMX quality will get tasks that are more interesting and in accordance with what they want, more frequency of communication with leaders, participation and influence and higher control over team activities, and also receive more support, recognition, appreciation, and rewards compared to employees who have low

LMX quality. However, there is a price to pay for employees with high LMX quality, as they are expected to work harder, sacrifice more, take greater risks, accept greater responsibility, be more loyal and highly committed, and give more. much of their time for the satisfaction and needs of leaders and the achievement of organizational goals (Pierce & Newstrom, 2006 in Wibowo, 2013).

Interaction occurs in daily life, from the smallest environment to the large and complex environment. Interactions that occur in a small environment such as in the family and at work. Meanwhile, interactions that take place in a larger environment can occur, such as in markets and other crowded places where the people there are numerous and heterogeneous. Interaction can be a determinant of the quality of one's association. If a person's interaction goes well, it will benefit him and his environment. Such interactions will result in cooperation and/or consensus. Conversely, if the interactions that are built are of poor quality, then it is not impossible that what will happen is a vacuum and will not produce anything. Precisely what occurs is the emergence of conflict or even confrontation (Nashrillah, 2017).

Interaction concerns the relationship between individuals, individuals with groups, and/or groups with groups. Without interaction, there will be no life together. Social processes are defined as ways of relating that can be seen when individuals and social groups meet each other and determine the systems and forms of social relations. If there is social interaction, there will also be communication, both verbally and non-verbally. Communication among people is one of the efforts to break the ice, especially when an inaccurate understanding arises, or when conflict arises between people. Conflict is in fact a form of dissociative social interaction. Many conflicts are usually caused by differences or clashes of interests, and even values. Conflict is an event that concerns human behavior in organizations. Conflict can be seen, studied in terms of the relationship between individuals or groups of people involved (Khomsahrial Romli, in Nashrillah, 2017). Therefore, conflict and consensus become important issues in Anthropological terminology as a discussion related to the pattern of relationships (interactions) among others. It's just that a value consensus that involves everyone is seen as an illusion maintained by an ideology that overcomes real differences between individuals and groups (Achmad Fedyani Saifuddin, 2006 in Nashrillah, 2017).

Performance

As is well known that the company as a form of organization can live because of the people or resources that move it. The human resources that drive the company are people as followers or actors in the company. The achievement of company goals is only possible because of the efforts of the actors in the company concerned, so that good or bad performance is a factor that influences the success of the company. Good or bad employee performance can be seen from the extent to which employees are able to complete the authority and responsibility delegated to them in achieving predetermined goals.

According to etymology, performance comes from English, namely from the word "performance" which comes from the word "to perform". Prawirosentono (2014: 2) states that: "Performance or performance as a result of work that can be achieved by a person or group of people in an organization in accordance with the authority and responsibility of each in the context of efforts to achieve the goals of the organization concerned legally. Does not violate the law and is in accordance with morals and ethics.

According to Mangkunegara (2015: 67) the term performance comes from the word Job Performance or Actual Performance (actual work achievements or achievements that can be achieved by someone). Definitive understanding, namely the understanding that performance is the result of work in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him.

Based on the opinion above, the authors conclude that performance is the work result of a work activity achieved by a person or group of employees in an organization in accordance with predetermined success rate standards within a certain period of time.

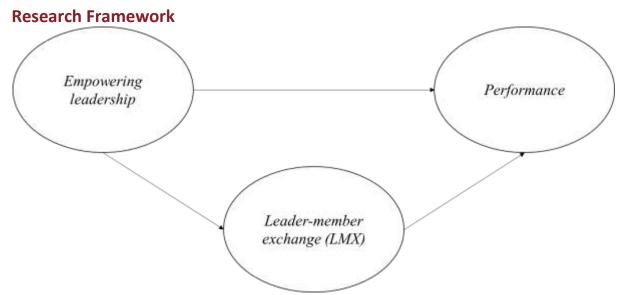


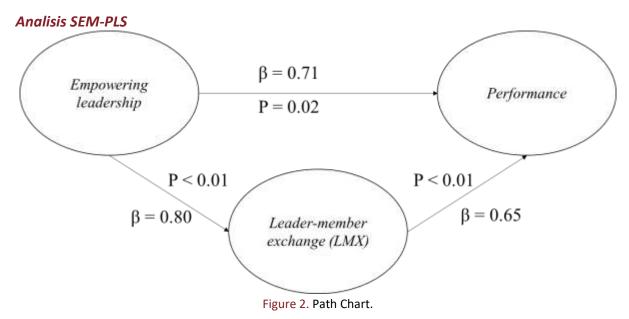
Figure 1. Research Framework.

Research method

Quantitative Method

This research approach uses quantitative methods. In this quantitative research, the researcher formulates a new problem by identifying it through a hypothesis, namely a temporary answer to the research problem formulation. According to Sugiyono (2014) quantitative research methods are research methods used to examine certain populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, data analysis is quantitative/statistical in nature with the aim of testing hypotheses that have been set.

Results



Significance Test Results

Table 1. Significance Test Results

Hypothesis	T Statistics (O/STDEV)	P Values	Note:
Empowering Leadership > Performance	7,898	0,002	Received
LMX > Performance	5,519	<0,001	Received
Empowering > LMX	3,815	<0,001	Received

Notes. Data Olahan, 2023

The first hypothesis (Ha) predicts that empowering leadership has a positive effect on employee performance. The results show that this hypothesis is supported statistically (P = 0.002). The table shows that the empowering leadership variable positively affects employee performance.

The second hypothesis (H2) predicts that empowering leadership has a positive effect on LMX. The results show that this hypothesis is supported statistically (P = 0.000). The table shows that the empowering leadership variable positively causes LMX.

The third hypothesis (H3) predicts that LMX has a positive effect on employee performance. The results show that this hypothesis is supported statistically (P = 0.000). The table shows that the LMX variable positively influences employee performance variables.

Furthermore, the fourth hypothesis (H4) predicts that empowering leadership through leader member exchange mediates the effect on employee performance. The results show that this hypothesis is supported statistically (P = 0.000). The table shows that the leader member exchange variable significantly mediates the effect of empowering leadership on employee performance. The table also shows that when the mediating variable (leader member exchange) is included in the model, the value of the effect of empowering leadership on employee performance is significant. These results indicate that the leader

member exchange variable in this study fully mediates the effect of empowering leadership on employee performance.

Discussions

Theoretical implications

This study specifically examines the effect of empowering leadership and leader-member exchange (LMX) on employee performance. Based on the results of calculations, it is known that empowering leadership has an effect on leader-member exchange (LMX) besides that it also has an effect on performance as well as empowering leadership through leaders. exchange (LMX) has an effect on employee performance. So the results of this study based on social exchange theory and leadership theory are examined as follows.

- 1. Empowering leadership and employee performance. The research findings explain that empowering leadership has a significant effect on performance. Employee performance is closely related to empowering leadership, this is supported by the theory of Ahearne, Mathieu, and Rapp (2005 in Mutamimah, 2013) that empowering leadership is a process of implementing conditions that allow sharing of power with employees by describing the importance of employees' work, providing autonomous decision making greater, expresses confidence in employee abilities, and closes barriers to performance.
- 2. Empowering leadership and leader-member exchange (LMX). The research findings explain that Empowering leadership significantly influences leader-member exchange (LMX). Social Exchange Theory explains that to view a relationship that occurs both between individuals and individuals and with groups, especially the relationship between subordinates and leaders. LMX focuses on the dyadic (two-way) relationship between the leader and each of his followers which is an exchange relationship that aims to increase organizational success by creating a positive relationship between leaders and followers (Yukl, 2006 in Wibowo, 2013). This means that one of the ways that companies can improve the quality of human resources is to pay attention to their employees. In addition, the most important thing that must be done by the company, is how employees can enjoy their work so that employees can do their work without any pressure so that employees can work with the best work performance.
- 3. Leader-member exchange (LMX) and employee performance. Based on research findings which explain that LMX has an effect on employee performance. Employees who have high LMX quality will get tasks that are more interesting and in accordance with what they want, more frequency of communication with leaders, participation and influence and higher control over team activities, and also receive more support, recognition, appreciation, and rewards compared to employees who have low LMX quality. However, there is a price to pay for employees with high LMX quality, as they are expected to work harder, sacrifice more, take greater risks, accept greater responsibility, be more loyal and highly committed, and give more. much of their time for the satisfaction and needs of leaders and the achievement of organizational goals (Pierce & Newstrom, 2006 in Wibowo, 2013).
- 4. Empowering leadership, leader-member exchange (LMX) and performance. The research findings explain that the leader member exchange variable significantly mediates the effect of empowering leadership on employee performance behavior. The table also shows that when the mediating variable (leader member exchange) is included in the model, the value of the effect of empowering leadership on employee performance is

significant. These results indicate that the leader member exchange variable in this study fully mediates the effect of empowering leadership on employee performance. The main goal of the leader is to empower the team to work together, as the organizer of the group itself, the main task of empowering leadership is to facilitate team processes, thereby enabling the team to self-manage, Pearce and colleagues (2003) under the framework of the term empowering leadership in Manz and Sims (1987) stated that leaders enable teams to act autonomously by encouraging team members to observe their performance, to be self-reinforcing and self-critical, to have high performance expectations, and to set their own goals.

Managerial implications

Based on theoretical studies, managerial implications are made based on research findings. So based on the results of research related to the effect of empowering leadership and leader-member exchange (LMX) on employee performance, the following managerial implications are obtained.

- 1. Leadership is an instrument to achieve the goals of an organization. A leader not only uses his authority to regulate and influence others, but also uses his authority to empower. The word "empower" is a translation of the word "empower". According to the Webster dictionary and the Oxford English Dictionary, the word "empower" contains two meanings, namely "to give power or authority to" which can be interpreted as giving power, transferring power or delegating authority to other parties, and "to give ability to or an able" means an effort to give ability or power (Gidion, 2018).
- 2. Leaders and subordinates are one unit. According to Kreitner and Kinicki (2005), the LMX model is based on the assumption that leaders develop unique one-to-one relationships with each person who reports to them. Usually, leaders tend to select members of ingroups because they have a variety of personality characteristics and attitudes that are similar to those of the leader or because of a higher level of competence than other followers. For example, followers who have a skill acquisition orientation will have higher LMX relationships with their superiors, because such employees will turn to their superiors for valuable information and experiences that can give them prospects for developing skills and self-improvement that can then be achieved. bring benefits to the company (Robbins & Judge, 2007 in Wibowo, 2013).
- 3. Leadership is the key to organizational success. To maintain and develop human resources in an organization, leadership is needed as a competency that must be owned by people who hold key positions in the company. Or in other words, having many subordinates that he leads. Without a reliable leader, who can influence and bring his subordinates to achieve certain goals of an organization, human empowerment will not run well. The next consequence that can occur is that the organization will not be able to develop properly (Ismoyo, 2013).

Conclusion

Based on the results of the analysis, several conclusions can be drawn as follows:

- 1. Empowering leadership influences the performance of BPJS Ketenagakerjaan employees at the West Sumatra Regional Office
- 2. Empowering leadership influences the leader-member exchange (LMX) of BPJS Ketenagakerjaan employees at the West Sumatra Regional Office.
- 3. The leader-member exchange (LMX) has an effect on the performance of BPJS Ketenagakerjaan employees at the West Sumatra Regional Office

4. Empowering leadership and leader-member exchange (LMX) jointly influence the performance of BPJS Ketenagakerjaan employees in the West Sumatra Regional Office.

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Disclosure statement

No potential conflict of interest was reported by the authors.

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