

## The Effect of Organisational Commitment in Mediating the Relationship between Transformational Leadership and Corporate Competitive Advantage (Study on State-Owned Companies in Indonesia)

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### Abstract

This study aims to test and analyze the relationship pattern of transformational leadership, organizational commitment, and corporate competitive advantage. The study was conducted in three Indonesian state-owned enterprises. Data will be collected by distributing a questionnaire to 156 managers. The number of questionnaires that can be used is 120. Data analysis is performed using a HE SEM equipped with AMOS as the data processing application. The results of this study show that: (1) Transformational leadership has a significant positive impact on organizational commitment. (2) Transformational leadership has a significant positive impact on a company's competitive advantage. (3) Organizational efforts have a significant positive impact on a company's competitiveness. (4) Organizational commitment mediates the impact of transformational leadership on a firm's competitive advantage.

## Pengaruh Komitmen Organisasi dalam Memediasi Hubungan Kepemimpinan Transformasional dan Keunggulan Bersaing Perusahaan (Studi pada Perusahaan BUMN di Indonesia)

### Abstrak

Penelitian ini bertujuan untuk menguji dan menganalisis pola hubungan kepemimpinan transformasional, komitmen organisasi, dan keunggulan kompetitif perusahaan. Penelitian ini dilakukan pada tiga perusahaan BUMN di Indonesia. Data akan dikumpulkan dengan menyebarkan kuesioner kepada 156 manajer. Jumlah kuesioner yang dapat digunakan adalah 120 kuesioner. Analisis data dilakukan dengan menggunakan SEM HE yang dilengkapi dengan AMOS sebagai aplikasi pengolah data. Hasil penelitian ini menunjukkan bahwa: (1) Kepemimpinan transformasional berpengaruh positif signifikan terhadap komitmen organisasional. (2) Kepemimpinan transformasional memiliki dampak positif yang signifikan terhadap keunggulan kompetitif perusahaan. (3) Upaya organisasi memiliki dampak positif yang signifikan terhadap keunggulan bersaing perusahaan. (4) Komitmen organisasi memediasi dampak kepemimpinan transformasional terhadap keunggulan bersaing perusahaan.

## INTRODUCTION

As business dynamics continue to evolve and competition intensifies, companies, including State-Owned Enterprises (SOEs) in Indonesia, are faced with the challenge of remaining relevant and competing effectively (Apriliyanti, 2023). One of the key factors that can influence corporate success is the relationship between transformational leadership, organisational commitment and competitive advantage. Transformational leadership, which focuses on inspiring, motivating and developing employees, can be key to creating an innovative and adaptive corporate culture (Gil-López, Arzubiaga, Román & De Massis, 2022).

In this context, organisational commitment has an important role as a mediator between transformational leadership and corporate competitive advantage. Organisational commitment reflects the extent to which employees are emotionally and cognitively involved in achieving organisational goals. By having a high level of commitment, employees tend to be more motivated to make maximum contributions, increase productivity, and strengthen the company's competitiveness (Chen, Lee & Wang, 2020; Safari et al, 2020; Kustyadi, 2014; Khaola & Rambe, 2021; Jain & Duggal, 2018).

This study aims to investigate the effect of transformational leadership on corporate competitive advantage by involving a mediating variable, namely organisational commitment. The focus on State-Owned Enterprises (SOEs) in Indonesia provides an interesting

context as SOEs are often socially responsible and are expected to operate with efficiency and effectiveness (Astuty & Udin, 2020; Kustyadi, 2021; Mahfouz, Awang, Muda & Bahkia, 2020).

The research method to be used involves surveys and statistical data analysis to identify the relationships between variables and test the proposed hypotheses. The findings of this study are expected to provide deeper insights into how transformational leadership influences corporate competitive advantage through the mechanism of organisational commitment, particularly in the context of SOEs in Indonesia.

Not only can this research make a theoretical contribution to the leadership and organisational management literature, but it can also provide practical guidance for leaders and managers of SOEs to improve their leadership effectiveness and, as a result, improve the company's competitive advantage.

## Hypothesis Development

### Relationship between Two or More Variables

#### Transformational Leadership on Organizational Commitment

Transformational leadership is a leadership style that focuses on developing a vision, motivating team members, and creating positive change in the organization (Keskes, Sallan, Simo & Fernandez, 2018). This leadership style not only aims to achieve organisational goals, but also to inspire and shape individual development

within the team. In the context of organisational commitment, transformational leadership has a crucial role as it can build strong emotional bonds and commitment from organisational members (Ausat, Suherlan, Peirisal & Hirawan, 2022).

One of the key characteristics of transformational leadership is its ability to form a clear vision and communicate it persuasively to team members. By having a strong vision, transformational leaders are able to inspire team members to see the big picture, feel motivated, and align their personal goals with those of the organisation. This can create a high level of commitment, as team members feel emotionally and intellectually involved in achieving the shared vision (Vipraprastha, Sudja & Yuesti, 2018).

In addition, transformational leadership is also known for its ability to motivate and develop individual potential. Transformational leaders not only provide task direction, but also pay attention to the personal needs and aspirations of team members. By providing support and coaching, these leaders can create positive interpersonal bonds and strengthen individuals' sense of commitment to the organization (Eliyana & Ma'arif, 2019).

The importance of transformational leadership in the context of organisational commitment lies in its impact on team members' loyalty, engagement and performance. Team members who feel connected to the vision and values of the organisation tend to have higher levels of commitment. They are more likely to be proactive, work with passion, and maintain loyalty to the organisation

over the long term (Park, Han, Kim & Kim, 2022).

Thus, transformational leaders have a strategic role in shaping an organisational culture based on commitment and shared purpose. By designing leadership strategies that promote individual development, shape an inspiring vision, and create emotional bonds, transformational leadership can be a catalyst for increasing overall organisational commitment (Doan et al, 2020; Baek, Byers & Vito, 2018). Based on the theory and the results from previous studies, hypothesis 1 can be formulated as follows:

H1: Transformational Leadership has a significant positive influence on Organizational Commitment.

### **Transformational Leadership on Company Competitive Advantage**

Budiarto and Selly (2004) explained transformational leadership. Transformational leadership is a leadership approach in which the leader motivates and inspires his team members to achieve higher performance and increase innovation. Meanwhile, the firm's competitive advantage refers to the firm's ability to maintain its competitive advantage in the market (Yamin, 2020).

Transformational leadership encourages innovation and creativity among team members. Transformational leaders often have a strong vision and are able to inspire team members to think beyond conventional boundaries (Bonsu & Twum-Danso, 2018).

Innovation fuelled by transformational leadership can help companies develop new products or services, create more

efficient operational processes, and achieve competitive advantage through product or process differences (Jia, Liu, Chin & Hu, 2018).

Transformational leadership creates an environment where team members feel motivated and emotionally engaged. Transformational leaders can generate passion and enthusiasm, encouraging team members to give their best performance (Khan, Ali, Olya, Zulqarnain & Khan, 2018).

High performance from team members can be one of the factors that support a company's competitive advantage. Motivated teams are more likely to achieve company goals effectively, giving the company an edge in terms of responsiveness to markets and customers (Alrowwad, Abualoush & Masa'deh, 2020).

Transformational leaders tend to have the ability to effectively manage change and guide team members through complex transitions. Companies that have good transformational leadership can be faster and more flexible in adjusting to changes in the market or business environment, giving them an adaptation advantage that may be needed to compete (Sun, El Askary, Meo & Hussain, 2022).

Transformational leadership can increase productivity and efficiency through intrinsic motivation of team members. Transformational leaders can help identify and overcome performance barriers, leading to improved operational efficiency (Singh, Del Giudice, Chierici & Graziano, 2020). Companies that achieve high operational efficiency may have lower production costs or can deliver products or services at more competitive prices,

supporting competitive advantage (Sattayaraksa & Boon-itt, 2018).

Thus, transformational leadership can contribute significantly to a firm's competitive advantage by creating an environment that supports innovation, high performance, adaptation to change, and improved operational efficiency (Abu-Rumman, 2021). Based on the results from the previous studies, hypothesis 2 can be formed as follows:

H2: Transformational Leadership has a significant positive influence on Company Competitive Advantage

### **Organizational Commitment on Company Competitive Advantage**

Organisational commitment and corporate competitive advantage have a close and mutually influencing relationship.

Organisational commitment refers to an employee's level of engagement, loyalty and dedication to the company they work for. Meanwhile, a company's competitive advantage includes its ability to offer better, more efficient, or more innovative products or services than its competitors (Wagner III, & Hollenbeck, 2020).

Employees who have high levels of organisational commitment tend to perform better. High employee performance can contribute directly to a company's competitive advantage through increased productivity, creativity, and innovation (Cantele & Zardini, 2018).

Organisational commitment can increase employees' motivation to contribute with creative and innovative ideas. Competitive advantage is often driven by a company's ability to constantly innovate and adapt to

market changes (Imamoglu, Ince, Turkcan & Atakay, 2019).

Strong organisational commitment can improve talent retention rates in the company. Keeping experienced and competent employees can help a company maintain a competitive advantage by utilising the knowledge and skills possessed by its team (Hamadamin & Atan, 2019).

The level of organisational commitment can affect operational efficiency and effectiveness. Committed employees tend to work better as a team, improve processes, and increase operational performance, all of which can support competitive advantage (Wang, 2019).

Employees who are highly committed to the company tend to provide better customer service. Improvements in customer service can be a source of competitive advantage by increasing customer satisfaction and building long-term relationships (Hosseini, Soltani & Mehdizadeh, 2018).

Organisational commitment can shape a company's reputation as a good and ethical place to work. A good reputation can be a competitive advantage by increasing the attractiveness of the company as a business partner, supplier, and place to work (Soomro & Shah, 2019).

Overall, high organisational commitment can create a work environment that supports the creation and maintenance of a company's competitive advantage through superior employee performance, continuous innovation, and good customer service (El-Kassar & Singh, 2019). Based on the previous studies, hypothesis 3 and 4 can be formulated as follows

H3: Organizational Commitment has a significant positive influence on Company Competitive Advantage

H4: Organizational Commitment mediates the positive relationship between Transformational Leadership on Company Competitive Advantage

## METHOD

This study is conducted using causality approach, which is an approach that tests and analyses the relationship pattern between observed variables, namely organizational commitment, transformational leadership, and competitive advantage in SOEs companies in Indonesia. Researchers also use observational approach by making observation through data gathering without trying to intervene. The survey is conducted by giving a list of questions/statements and conducting interviews with managers who become the respondents. The questionnaire given to respondents in this study is closed questionnaire based on the perceptions of managers of the three SOEs companies that had consolidated.

This study uses Likert scale with the choice of answers ranging from „strongly disagree“ (score 1) to „strongly agree“ (score 5). The samples and respondents in this study are part of the managers who are members of three SOEs companies with the total of 156 managers. The questionnaire that are returned and can be processed amounted to 120 questionnaires (response rate 77.5%). The results of validity and reliability test show that all questionnaire items and variables are valid and reliable. The data analysis is

conducted using SEM-AMOS technique (Awang, 2012).

## RESULT AND DISCUSSION

### Description of Research Respondents

The number of respondents in this study is 120 managers in SOEs companies in Indonesia with the detail as follows:

81.7% are male respondents, and 18.3% are female respondents; respondents with age < 20 are 5%, with the age of 21-30 years old is 21%, with the age of 31-40 years old is 35%, > with the age of 40 years old is 39%; the working period of respondents in companies of 1-10 years is 41%, 11-20 years is 29%, 21-30 years is 19%, and > 30 years is 11%.

### 1.1. Goodness of Fit Test Results

The results of Goodness of Fit have shown that all criteria have been met and the model can be said to be fit as shown on Table 1.

Table 1. Goodness of Fit Test Results

Fit Index	Goodness of Fit	Criteria	Cut-off value	Information
Absolute Fit	RMSEA	$\leq 0.08$	0.054	Fit
	CMINDF	$\leq 2,00$	1,521	Fit
Incremental Fit	TLI	$\geq 0.90$	0.932	Fit
	CFI	$\geq 0.90$	0.926	Fit
Parsimony Fit	PGFI	$\geq 0.60$	0.690	Fit
	PNFI	$\geq 0.60$	0.765	Fit

### 1.2. Hypothesis Test

Structural Equation Model (SEM) analysis in full model is used to test the hypotheses developed in this study. The final path analysis model in this study is as shown in Figure 1.

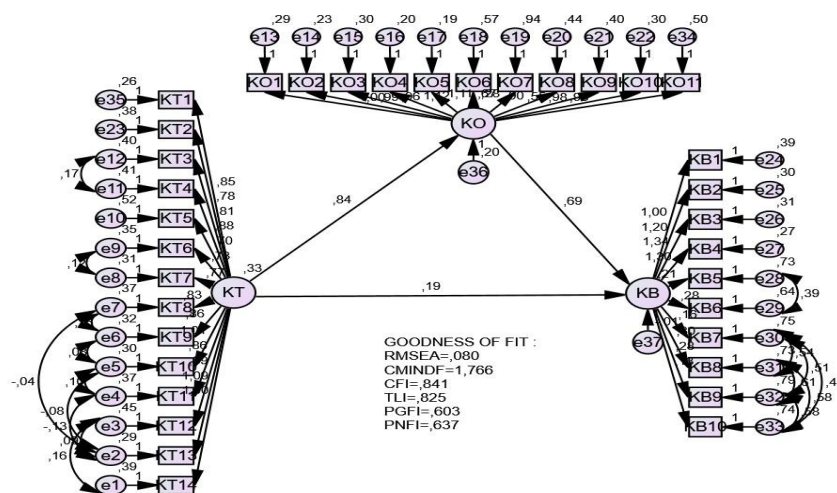


Figure 1. Final Result of Path Analysis

As for the results of regression weight test in this study can be seen on Table 2 below:

Table 2. Regression Weight Test Result

			Estimate	S.E.	C.R.	P	Conclusion
CO	<---	TL	,837	,135	6,211	***	H1 Accepted
CA	<---	CO	,689	,104	6,653	***	H2 Accepted
CA	<---	TL	,191	,070	2,738	,006	H3 Accepted

To see if the hypothesis is accepted or rejected, it can be done by looking at the value of Critical Ratio (CR) and probability (P) from the results of data processing. If the test results show a CR value above 1.96 and probability (P) below 0.05/5%, then the proposed research hypothesis is accepted. In detail, the research hypothesis testing will be discussed in stages according to the hypothesis that has been proposed. In this study, 4 hypotheses are proposed, which then elaborated as follows:

**H1: Transformational Leadership has a significant positive influence on Organizational Commitment**

Based on the data processing, it is known that the CR value is 6.221 and the P value is 0.000. These results indicate that the CR value is above 1.96 and the P value is below 0.05. Therefore, it can be concluded that Transformational Leadership has a significant positive influence on Organizational Commitment; then H1 in this study is accepted.

**H2: Organizational Commitment has a significant positive influence on Competitive Advantage**

Based on the data processing, it is known that the CR value is 6,653 and the P value is 0.000. These results indicate that the CR value is above 1.96 and the P value is below 0.05.

Therefore, it can be concluded that Organizational Commitment has a significant positive influence on Competitive Advantage; then H2 in this study is accepted.

**H3: Transformational Leadership has a significant positive influence on Competitive Advantage**

Based on the data processing, it is known that the CR value is 2,738 and the P value is 0.06. These results indicate that the CR value is above 1.96 and the P value is below 0.05. Therefore, it can be concluded that Transformational Leadership has a significant positive influence on Competitive Advantage; then H3 in this study is accepted.

**Mediation Test Results**

Mediation testing is seen from the significance of the indirect influence between variables which are seen from the indirect influence of two tailed significance. it can be concluded that

**Hypothesis 4: Organizational Commitment mediates the relationship between Transformational Leadership and Competitive Advantage.**

Based on the mediation test result, it is known that the value of the relationship between Transformational Leadership and Competitive Advantage mediated by Organizational Commitment has the significance value of 0.008, which is still below 0.05. Thus, it can be said that Organizational Commitment significantly mediates the relationship between Transformational Leadership and Competitive Advantage

**DISCUSSION**

Transformational leadership involves leaders who are able to motivate, inspire and develop employees to reach their full potential. Transformational leaders are often involved in developing a long-term vision and getting team members to actively participate in achieving those goals.

Organisational commitment reflects the extent to which employees feel emotionally and cognitively attached to the organisation they work for. Employees who have a high level of commitment tend to be more motivated to make maximum contributions to the success of the organisation.

Transformational leadership can increase organisational commitment by creating a positive work climate, providing clear direction, and building strong interpersonal relationships. Transformational leaders who are able to express vision, provide support, and recognise employee contributions can increase the level of employee commitment.

Organisational commitment can act as a mediator between transformational leadership and a company's competitive advantage. High levels of organisational commitment among employees can strengthen the positive impact of transformational leadership on organisational performance.

A company's competitive advantage encompasses various aspects, including innovation, operational efficiency, customer service, and adaptation to market changes. Employees who have high levels of commitment and are led by transformational leadership are likely to contribute to the achievement of these competitive advantages.

In conclusion, understanding the complexity of the relationship between transformational leadership, organisational commitment, and competitive advantage can provide valuable insights for organisational leaders and managers in optimising company performance.



## **CONCLUSION AND RECOMMENDATION**

The results show that transformational leadership has a positive impact on a company's competitive advantage. Transformational leadership, which involves inspiration, motivation, and vision development, encourages companies to innovate and become more adaptive to changes in the business environment.

Transformational leadership creates an environment where open communication and employee engagement are valued. This strengthens employees' sense of attachment to organisational goals, improves morale, and stimulates organisational commitment.

Organisational commitment plays a significant mediator role between transformational leadership and a company's competitive advantage. Employees who feel committed to the organisation are more likely to contribute their maximum, cooperate, and innovate, factors that support competitive advantage.

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