THE EFFECT OF TRANSFORMATIONAL LEADERSHIP, COMPETENCE AND ORGANIZATIONAL COMMITMENT ON EMPLOYEE PERFORMANCE THROUGH DIGITAL TRANSFORMATION AT BANK INDONESIA

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Abstract:

To achieve Bank Indonesia's vision and mission, one of which is to realize a digitally based central bank in politics and institutions by strengthening the organization, human resources, governance and reliable information systems, as well as international roles, Bank Indonesia has undergone a comprehensive transformation, both in the political and institutional spheres. The main part of this research is to promote transformational leadership, management equipment and practical transformation that will ensure loyalty to the performance of workers in Bank Construction. The main members of this meeting were Bank Indian DPPT workers with a general number of 125 respondents. The data analysis method uses the Model of Structural Equations-Minimum Partial Square (SEMPLS). The results showed that transformative leadership, competence, and organizational engagement have a positive and significant effect on digital transformation and employee performance. Digital transformation has proven to have a significant and positive effect on employee performance.

Keywords: Transformational leadership, Competition, Organizational engagement, Digital transformation, Employee performance

PRELIMINARY

In the digital age, people have begun to understand the use of Internet technology and can quickly access various desired information in the banking world. This is in line with Republika media reports, which state that the Financial Services Authority (OJC) is trying to encourage the acceleration of bank digitization. The rapid development of the digital economy, banks need to accelerate the digitalization of products and services so that they can meet people's expectations (Amanda, Republika, 2021).

Similarly, Bank Indonesia (BI) is being transformed into the central bank of Indonesia. Bank Indonesia's digital transformation towards a leading digital central bank is realized through the implementation of comprehensive digitalization, both in policy and institutional terms. The digitization program outlined in the Bank Indonesia Information Systems Master Plan (RISHIBI) 2025 is supported by improving policy and institutional processes, digitizing work processes, developing technology and managing data and information in a universal manner, as well as enhancing HR efficiency and digital mindset.

Based on the results of the preceding study's findings, it is evident that Bank Indonesia's DPPT employees still performs below par. The three highest variables suspected of affecting employee performance are transformational leadership, competence, and organizational commitment. Based on this, the author chooses these three (three) factors as variables that affect employee performance, namely transformational leadership, competence, and organizational commitment. This is the reason for conducting research on how to improve the performance of DPPT employees at Bank Indonesia.

As for Bank Indonesia's digital transformation plan, it is realized by implementing comprehensive digitization in the political and institutional spheres to achieve a leading digital central bank and is also supported by the future transformation of DPT, i.e., the Best Central Bank Services, "towards a Leading Central Bank."

LITERATURE REVIEW AND HYPOTHESIS

Employee Performance

Mangkunegara (2017: 93) according to the statement, performance is the end result of the employees' qualitative and quantitative effort in carrying out their duties in line with their given responsibilities.Wibowo (2016: 7 According to this argument, performance is all about putting in the work and getting the results. What is done and how it is worked on are related to implementation..

Digital Transformation

Digital transformation is a definition that adapts the business models derived from the speed of technology and innovation underlying changes in consumer behavior (Kotarba, 2018). According to Kutnjak et al. (2019) digital transformation is a complex and demanding process that requires the commitment of the entire company to use resources: human, technological, physical, organizational, and financial, so that digitization implements digital devices throughout the organization, focusing mainly on people and business processes, based on changes in business models.

Transformational leadership

According to Robbins & Judge (2018: 90) a leader who practices transformational leadership can have a significant impact on their followers by motivating them to put aside their own interests in favor of the organization. They are able to gratify and motivate their followers to put up a lot of effort to attain shared objectives by attending to their followers' demands for self-development, changing followers' awareness of current difficulties by assisting others in perceiving old problems in a new way.

Competency

Competency is the ability to do or complete a task using one's knowledge and abilities, supported by the work ethic necessary for the activity. (Wibowo, 2017: 271). In other definitions, competency is defined as the average of ability to perform a job role according to established criteria with reference to the actual work environment (Zaim et al, 2013).

According to Rivai, 2018: 299, ability is a fundamental characteristic that a person possesses that directly affects or can predict outstanding performance. Competency implies a set of skills, knowledge, and attitudes (Vey, Fandel-Meyer, Zipp, & Schneider, 2017).

Organizational Commitment

Handoko et al. (2016) state that ss an example of the relationship between an employee and the organization and how it affects the employee's decision to remain a member of the company, organizational commitment is a psychological condition.Whereas Luthans (2018) states that the need to put up excellent efforts on behalf of the organization, a strong belief in accepting the organization's ideals, and a strong motivation to stay a member are all examples of organizational commitment, according to this statement.
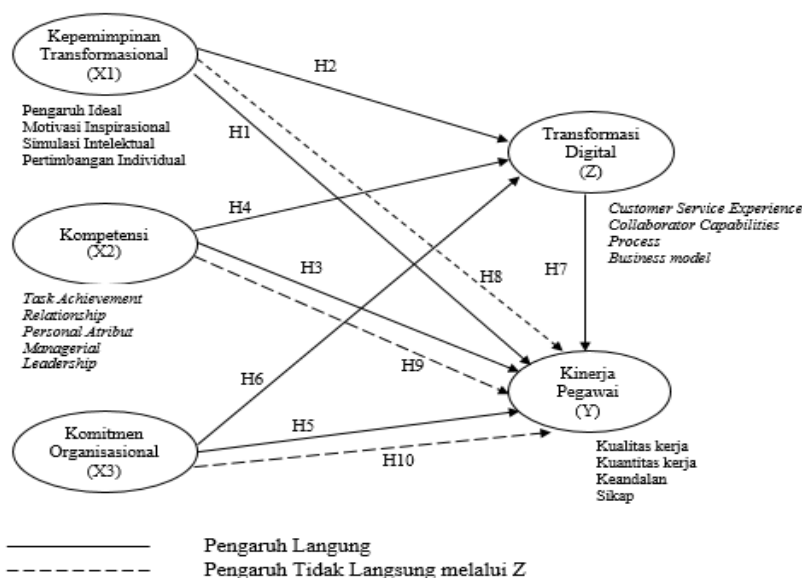
Frame of Mind

Figure 1: Conceptual Framework

Research Hypothesis

Based on the conceptual framework, the following research hypotheses can be put forward:

H1   Employee performance is positively and significantly impacted by transformative leadership.

H2   Transformational leadership has a positive and significant effect on digital transformation.

H3   Competencies have a positive and significant effect on employee performance.

H4   There is a positive and significant impact of competence on digital transformation.

H5   Competence has a positive and important effect on digital transformation.

H6 Organizational commitment has a favorable and notable effect on worker performance.

H7 Engagement in digital transformation by organizations has a positive and significant influence.

H8 Digital transformation conveys the influence of transformational leadership on worker performance.

H9 Digital transformation conveys the effect of competence on worker performance.

H10 Digital transformation conveys the effect of organizational engagement on worker performance.

METHODOLOGY

The research method used is a quantitative method. The study planning contains the formulation of the problem and the preparation of hypotheses and uses a theoretical framework regarding the variables of transformatory leadership, competence and organization dedication to digital transformation and its implications for the performance of employees of the Department of Licensing and Treasury of Banking Services at Bank Indonesia.

The population in this study was 125 people all-permanent employees of DPPT in Bank Indonesia from each Division in the DPPT from employee implementation (lowest level in division) to division heads (highest level in division). The savory sample technique is a sample determination technique when all population members are used as samples (Sugiyono (2015: 85). For this reason, so that all populations in the study were used as a sample of 125 respondents. Partial Least Square (PLS) which is a covariance-based SEM is used as an analysis tool.
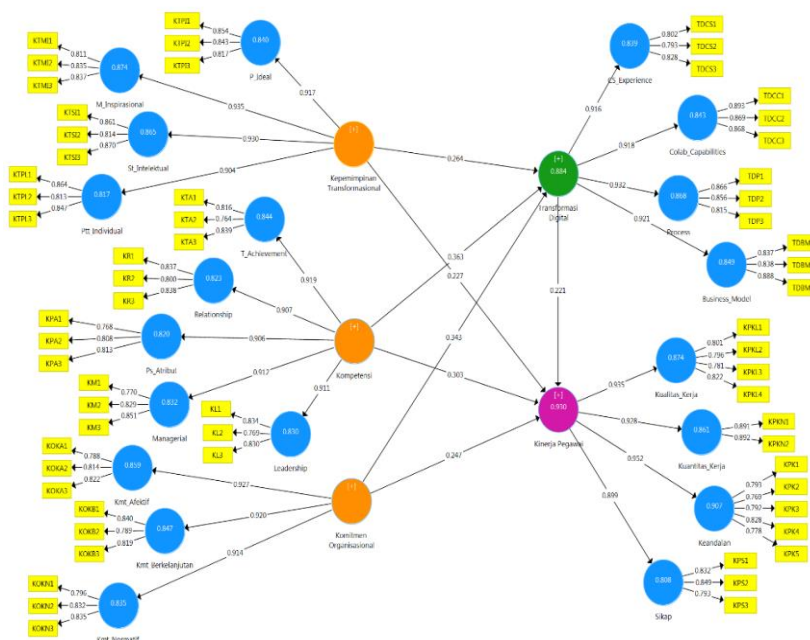
RESULTS AND DISCUSSION

Research Outcomes

Evaluation of Measurement (outer) Model

Convergent Validity

To show how well convergent validities work, the value of the charge or charging factor is utilized. If the indicator of external loading > 0, 7, an indicator has been judged to meet the convergent validity in good category

Figure 2: Outer Model

Every indicator of the outside loading values for the testing variables is:

Table 1. OuterLoading

Variable	Indicator	Outer Loading	Validity
Transformation Leadership (X 1)	Ideal influence	0,917	Valid
	Inspirational motivation	0,935	Valid
	Intellectual stimulation	0,930	Valid
	Individual considerations	0,904	Valid
Competencies (X2)	Task Achievement	0,919	Valid
	Relationship	0,907	Valid
	Personal Attributes	0,906	Valid
	Managerial	0,912	Valid
	Leadership	0,911	Valid
Commitment Organizational (X3)	Affective Commitment	0,927	Valid
	Ongoing Commitment	0,920	Valid
	Normative Commitment	0,914	Valid
Digital Transformation (Y1)	Customer Service Experience	0,916	Valid
	Collaborator Capabilities	0,918	Valid
	Process	0,932	Valid
	Business model	0,921	Valid
Employee Performance (Y2)	Quality of work	0,935	Valid
	Quantity of Work	0,928	Valid
	Reliability	0,952	Valid
	Attitude	0,899	Valid

Source: PLS Processing Results, 2022

Discriminant Validity

The findings of the discriminant validity test will be discussed in this section. The discriminant validity test looks at the average variant derived (AVE) value for each indicator; good model needs that the value be > 0.5. The results of the discriminant validity test are shown in the following table:

Table 2: Average Variant Extracted (AVE)

Variables	AVE	Validity
Transformation Leadership	0.597	Valid
Competencies	0.546	Valid
Organizational Commitment	0.562	Valid
Digital Transformation	0.609	Valid
Employee Performance	0.578	Valid

Source: PLS Processing Results, 2022

Composite Reliability

A variable's composite confidence value of 0.6 or greater is considered to satisfy the composite confidence. The overall reliability score for each search variable is as follows:

Table 3: Composite Reliability

Variable	Composite Reliability	Reliability
Transformation Leadership	0.947	Reliable
Competencies	0.947	Reliable
Organizational Commitment	0.920	Reliable
Digital Transformation	0.949	Reliable
Employee Performance	0.950	Reliable

Source: PLS Processing Results, 2022

Cronbach Alpha

It is feasible to improve the reliability assessment using the previously mentioned composite reliability by using Cronbach's alpha. A variable can be termed trustworthy or meet the cronbach alpha if its cronbach alpha value is greater than 0.75.

Table 4: Cronbach's Alpha

Variable	Cronbach Alpha	Reliability
Transformation Leadership	0, 939	Reliable
Competencies	0, 941	Reliable
Organizational Commitment	0, 903	Reliable
Digital Transformation	0, 941	Reliable
Employee Performance	0, 944	Reliable

Source: PLS Processing Results, 2022

Inner Model Evaluation

Inner Model test results consisting of the output R-squared parameter coefficients, and T - statistics, the hypothesis was tested. To determine whether a hypothesis is accepted or rejected by taking into account the significance between constructs, Tstatistics, and PValues. These values can be seen from
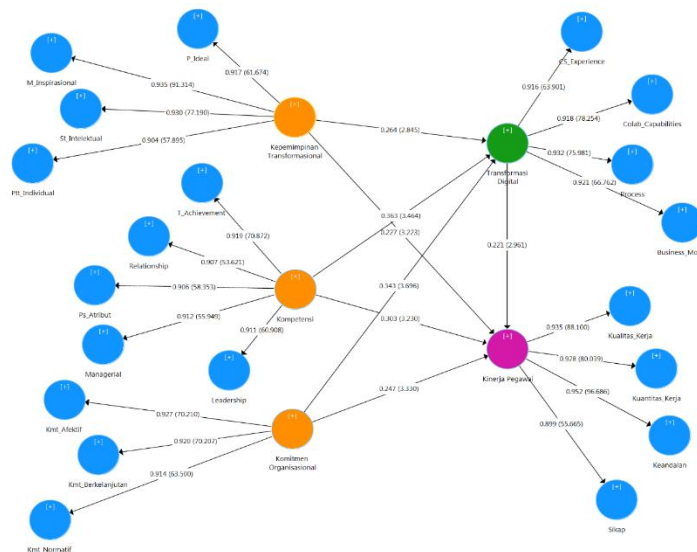
The bootstrapping result.

Figure 3: Inner Model

Path Coefficient Assessment

Evaluation of the route coefficient is used to state how strong the influence or influence of the independent variable is on the dependent variable, and the coefficient of determination (R-Square) is used to calculate how much the endogenous variable is influenced by other factors.

Model Goodness Assessment (Goodness of Fit)

The R Square values are determined as follows based on the data processing that was done using the smartPLS 3.0 program:

Table 5: R- Square Value

Variable	R Square Value
Digital Transformation	0,884
Employee Performance	0,930

Source: PLS Processing Results, 2022

Testers can determine whether latent variable predictors have a small, moderate, or high impact on the structural level by interpreting f-square values of 0.02, 0.15, and 0.35. (Ghozali, 2015).

Table 6: F-Square Value

Variable	Digital Transformation	Employee Performance
Transformation Leadership	0.085	0.096
Digital Transformation		0.081
Employee Performance		
Competencies	0.119	0.122
Organizational Commitment	0.150	0.112

Source: PLS Processing Results, 2022

The value of Q-Square can be used to determine the goodness of fit. Like coefficient of determination (R- Square) in regression examination, the Q-Square value indicates how well or how closely the model fits the data. The higher the Q- Square number, the better or more closely the model fits the data. The following are the outcomes of the calculation of the Q-Square value:

$$
\begin{aligned}
\text{Q-Square} &= 1 - [(1 - R^2 1) \text{ x } (1 - R^2 2)] \\
&= 1 - [(1 - 0,884) \text{ x } (1 - 0,930)] \\
&= 1 - (0,116 \text{ x } 0,07) \\
&= 1 - 0,008 = 0,992
\end{aligned}
$$

Hypothesis Test

The direct influence of transformational leadership, competence and organizational commitment to digital transformation and employee performance as well as digital transformation on employee performance is demonstrated by path coefficients shown presented below:

Table 7: Direct Influence

Hypothesis	Impact	Original Sample	Sample Mean	Standard Deviation	T - Statistic	P - Values	Results
H1	Transformational Leadership => Employee Performance	0,227	0,229	0,070	3,223	0,001	Accepted
H2	Transformational Leadership => Digital Transformation	0,264	0,263	0,093	2,845	0,005	Accepted
H3	Competencies=> Employee performance	0,303	0,303	0,094	3,230	0,001	Accepted
H4	Competencies=> Digital Transformation	0,363	0,360	0,105	3,464	0,001	Accepted
H5	Organizational Commitment => Employee Performance	0,247	0,242	0,074	3,330	0,001	Accepted
H6	Organizational Commitment => Digital Transformation	0,343	0,346	0,093	3,696	0,000	Accepted
H7	Digital Transformation => Employee Organization	0,221	0,224	0,075	2,961	0,003	Accepted

Source: PLS Processing Results, 2022

The overall indirect effect in the following table illustrates how transformational leadership, competency, and organizational commitment indirectly affect employee performance through digital transformation:

Table 8: Indirect Influence

Hypothesis	Impact	Original Sample	Sample Mean	Standard Deviation	T-Statistic	P-Values	Results
H8	Transformational Leadership => => Employee Performance through digital transformation	0,058	0,059	0,030	1,978	0,048	Accepted
H9	Competencies => Employee Performance through digital transformation	0,080	0,081	0,038	2,097	0,037	Accepted
H10	Organizational Commitment=> Employee Performance through digital transformation	0,076	0,077	0,032	2,389	0,017	Accepted

Source: PLS Processing Results, 2022

RESULTS DISCUSSION

1. Effect of transformative leadership on employee performance

According to the study's findings, a t- value of 3, 223 > 1, 96 implying transformational leadership significantly and favorably affects employee performance. This means that if transformational leadership improves the performance of employees increases. If transformational leadership decreases, employee performance also decreases. The ratio of 0.227, which means that the size of the contribution of transformational impact of leadership on employee performance is 22.7% and the remaining 77.3%, is another factor that has not been studied.

2. Effect of transformative leadership on Digital Transformation

Digital transformation is significantly and favorably impacted by transformative. This implies that as transformation leadership grows, so will digital transformation. If transformational leadership weakens, digital transformation will also decrease. The path factor is 0.264, which means that the impact of transformative leadership on digital transformation is 26.4%, and the remaining 73.6% is another factor that has not been studied.

3. The impact of competence on employee performance

Based on the results of the study, a value of t of 3,230 > 1.96 was obtained, which means that competence has remarkable and positive impacts on employee's performance. Accordingly, employee performance will rise the greater the competence offered. Employee performance

will decline if the competencies allocated to them are decreased. The track coefficient is 0.303, which means that the size of the contribution of the impact of competencies on employee performance is 30.3%, and the remaining 69.7% is another factor that has not been studied.

4. The Effect of Competence on Digital Transformation

According to the study's findings, a t- value of 3, 464 > 1, 96 was found, demonstrating that competency has a positive and significant influence on digital transformation. This implies that the rate of digital transformation will rise the greater the personnel competencies. Employee competency levels affect how well the digital transition is going. Path coefficient is 0, 363 resulting the magnitude of the influence of competence has a 36.3% contribution to digital transformation, with another component accounting for the remaining 63.7%.

5. The Effect of Organizational Commitment on Employee Performance

Based on the results of the survey, a t-value of 3, 330 > 1, 96 was obtained; this indicates that employee performance is significantly and favorably impacted by organizational involvement. This implies that employee performance will rise the better organizational involvement is established. Similarly, if the less good the organizational commitment that is performed, the effectiveness of employees decreases. The road coefficient of 0.247, which means the degree of contribution of the impact of organizational engagement on employee performance, is 24.7%, and the remaining 75.3% is another factor that has not been studied.

6. The Effect of Organizational Commitment on Digital Transformation

According to the study's findings, a t-value of 3, 696 > 1, 96 was found, demonstrating that organizational involvement has a positive and significant impact on digital transformation. This suggests that when organizational commitment is better executed, employee digital transformation will increase. Similarly, even with a lower organizational commitment in place, the digital revolution will be less pronounced. The path coefficient is 0.343, which indicates that organizational involvement has a 34.3% influence on digital transformation, with another unstudied component accounting for the other 65.7%.

7. The Effect of Digital Transformation on Employee Performance

Based on the results of the study, the t-value of 2, 961 > 1, 96 indicates that the impact of digital transformation on employee performance is large and favorable. This implies that an employee's performance will improve to a greater extent the more adept they are at embracing digital change. Likewise, if the lower the digital transformation of employees, the lower the performance of employees. The coefficient of 0.221, which means that the size of the contribution of the influence of digital transformation on employee performance is 22.1% and the remaining 77.9%, is another factor that was not studied

8. The Effect of Transformational Leadership on Employee Performance through Digital Transformation

Based on the results of a study of the indirect impact of digital transformational leadership, the cost of 1, 978 >1, 96 suggests that the relationship between transformational leadership and

employee performance can be mediated by digital change. Transformational leadership in the DPPT is always optimistic in the leadership of subordinates to achieve organizational goals for DPPT employees in all aspects of the digital transformation in all aspects of the work to be more efficient and efficient in providing excellent service to DPPT stakeholders.

9. The Effect of Competence on Employee Performance through Digital Transformation

Based on the results of research on the indirect influence of competence on employee performance through digital transformation, a t-value of 2, 097 > 1, 96 was obtained, implying that the relationship between employee performance and competence can be strengthened by digital transformation. DPPT employees who have high competence certainly have mastery of skills in carrying out work, so that they can carry out quickly for changes that occur such as digital transformation in all aspects of the task field at DPPT today.

10. The Effect of Organizational Commitment on Employee Performance through Digital Transformation

Based on research findings on the indirect influence of organizational engagement on employee performance through digital transformation, a t-value of 2,389 > 1, 96 was obtained, implying that a digital transformation can strengthen the link between employee performance and organizational engagement. DPPT is committed to supporting Bank Indonesia's core policies and harmonizing fiscal and monetary policy coordination through the implementation of state-of-the-art digital centricity services that are reliable, excellent and of international standards. This is reflected in the implementation of several systems in the DPPT, including the FOMOBO (Front Office Middle Back Office) system in 2019, and in 2021 for the BI-FAST payment system and the Core Banking System (CBS).

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

1) Transformational leadership has a favorable and significant impact on staff performance at Bank Indonesia DPPT. The aspect that most influences transformational leadership on employee performance is inspirational motivation.

2) There are positive and significant influences of transformational leadership on digital transformation at Bank Indonesia's DPPT.

3) Competencies have significant positive influences on employee performance at Bank Indonesia DPPT. The aspect that most affects the competence in the performance of employees is the achievement of tasks.

4) There are positive and significant influences of digital transformation expertise in Bank Indonesia's DPPT.

5) There are positive and significant influences of organizational commitment on employee performance at Bank Indonesia DPPT. The aspect that most influences organizational commitment to employee performance is emotional commitment.

6) The organizational commitment to digital transformation has a positive and significant influence on Bank Indonesia's DPPT.

7) Digital transformation has a positive and significant influence on the performance of Bank Indonesia DPPT employees. The aspects that most influence the digital transformation of employee performance processes achieved, such as management, support, and operational processes, are considerations in the digital transformation desired by employees.

8) Digital transformation can partially mitigate the influence of transformational leadership on employee performance at Bank Indonesia DPPT.

9) Digital transformation can partially mitigate the effect of competence on employee performance at Bank Indonesia DPPT.

10) Digital transformation can partially mitigate the effect of organizational engagement on employee performance at Bank Indonesia's DPPT.

Suggestion

1. For Institutions:

   a) Transformative leadership at DPPT in the future must be able to provide inspiring incentives to its subordinates, always being optimistic in the direction of their subordinates to achieve the future transformation of the DPPT, i.e., the Best Central Bank Service: "Towards a Leading Digital Central Bank".

   b) Workers' competences need to be improved both technically and operationally in line with the capacities of digital central banks 4.0.

   c) Organizational commitment must be properly implemented so that employees continue to have a strong emotional commitment to continue working at Bank Indonesia's DPPT.

   d) Bank Indonesia's digital transformation is important to continue expanding through the implementation of integrated digitalization across both policy and institutional sectors towards a leading digital central bank.

   e) Digital transformation will be successful in supporting employee performance, so digital transformation at DPPT must be able to consider business processes more effective and efficient.

   f) Transformational leadership will be further strengthened in the implementation of transformational leadership with efforts to further strengthen integrity in its leadership.

   g) It is recommended to further improve competence by improving analytical and conceptual ways of thinking.

   h) It is recommended to further increase organizational engagement by increasing employees' feelings of pride in the company.

   i) It is recommended to further improve digital transformation so that it can support transformative leadership of employee performance.

j) The digital transformation performed can improve competence among employees so that it can improve employee performance.

k) The digital transformation implemented by companies can increase organizational commitment to employee performance.

2. For other researchers who will conduct research on similar topics, we hope that they can add several variables that can affect digital transformation and employee performance and can expand research objects that are not limited to Bank Indonesia alone.

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