

The Role of Transformational Leadership, Culture of Innovation, and Job Satisfaction in Improving Employee Performance at Pt Hutan Rindang Banua

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Abstract. *This study aims to analyze the influence of transformational leadership and a culture of innovation on employee job satisfaction and performance, with job satisfaction as a mediating variable. The study was conducted on 250 permanent employees of PT Hutan Rindang Banua using an associative quantitative approach. The sampling technique used purposive sampling, while data were collected through a Likert-scale questionnaire. Data analysis used Structural Equation Modeling based on Partial Least Squares (SEM-PLS). The results of the outer model test show that all indicators meet the validity and reliability criteria, with loading factor values ranging from 0.788 to 0.918; AVE 0.723 to 0.786; Cronbach's alpha 0.872 to 0.909; and composite reliability 0.913 to 0.936. In the inner model, transformational leadership significantly influences innovation culture, job satisfaction, and employee performance. Innovation culture and job satisfaction are also proven to significantly influence employee performance. The R-square value indicates a strong explanatory power of the model, especially for the employee performance variable of 0.729. These findings confirm that improving employee performance in the forestry sector requires transformational leadership supported by a culture of innovation and good job satisfaction.*

Keywords: *Employee Performance; Innovation Culture; Job Satisfaction; SEM-PLS; Transformational Leadership.*

1. Introduction

Forestry companies face increasing demands to maintain productivity, efficiency, and operational sustainability. In the context of PT Hutan Rindang Banua, internal conditions indicate that the employee job satisfaction index remains below the company's target of 67, compared to the target of 80. This situation highlights the need to strengthen managerial factors and the work environment to enable employees to perform more optimally.

One emerging issue is the persistence of authoritarian leadership practices in some work units, limiting employee participation in decision-making. This can lower work motivation, weaken the sense of responsibility, and ultimately impact performance.

Therefore, transformational leadership is highly relevant to study because this leadership style emphasizes inspiration, vision, individual attention, and intellectual stimulation for subordinates.

In addition to leadership, a culture of innovation is also a crucial element in organizations operating in competitive environments. A culture of innovation can encourage employees to boldly convey new ideas, improve work processes, and adapt to change. In this study, job satisfaction was positioned as a mediating variable because higher job satisfaction is believed to bridge the gap between leadership, a culture of innovation, and employee performance.

Based on this background, this research aims to address four main areas of focus: the influence of transformational leadership on job satisfaction, the influence of transformational leadership on innovation culture, the influence of job satisfaction on employee performance, and the influence of innovation culture on employee performance. This model is expected to explain the mechanisms for improving employee performance more comprehensively.

This research uses Goal Setting Theory as its theoretical foundation. Locke and Latham explain that individual work behavior tends to be goal-oriented, and that clear, challenging goals accompanied by feedback can increase effort and performance. In an organizational context, leaders play a crucial role in communicating goals and building employee commitment to achieving them.

Transformational leadership refers to a leadership style that is able to inspire, motivate, and develop the potential of subordinates through idealized influence, inspirational motivation, intellectual stimulation, and attention.

This style not only encourages target achievement but also fosters work values and attitudes that are more aligned with the organization's vision.

A culture of innovation is a set of organizational values, norms, and practices that support creativity, openness to new ideas, and the courage to take calculated risks. Within an organization, a culture of innovation helps create an adaptive and productive work environment.

Job satisfaction describes a psychological state that indicates the extent to which an individual feels satisfied with their work. Job satisfaction is influenced by many factors, such as tasks, work relationships, organizational policies, the work environment, and rewards. Employee performance itself is defined as the level of achievement of individual work results in carrying out the tasks and responsibilities assigned by the organization.

2. Research Methods

This study used a quantitative approach with a descriptive-analytical design. The study population was employees of PT Hutan Rindang Banua, with a sample of 250 respondents selected through purposive sampling. Respondents came from several job levels and work sites, namely Sebampan, Teluk Kepayang, Kintap, and Riam Kiwa.

Primary data were collected through a Likert-scale questionnaire structured around transformational leadership, innovation culture, job satisfaction, and employee performance indicators. Data were analyzed using SEM-PLS to test the measurement and structural models. The outer model tests included convergent validity, discriminant validity, reliability, and model fit, while the inner model tests included R-square, path coefficient, and effect size.

3. Results and Discussion

The results of the outer model analysis showed that all indicators had loading factor values that met the criteria, with values ranging from 0.788 to 0.918. The AVE values for all constructs were also above the minimum limit of 0.50, indicating that each variable had good convergent validity.

Table 2. Results of construct validity and reliability

Construct	Loading factor	AVE	Cronbach's alpha	Composite reliability
Leadership transformational	0.825 – 0.874	0.723	0.872	0.913
Culture of innovation	0.788 – 0.889	0.739	0.881	0.919
Job satisfaction	0.840 – 0.869	0.731	0.877	0.916
Performance employee	0.848 – 0.918	0.786	0.909	0.936

Based on the table above, all constructs have met reliability requirements, as the Cronbach's alpha and composite reliability values are each greater than 0.70. Thus, the research instrument can be considered suitable for use in the next stage of analysis.

The results of the path test show that all the main relationships in the model have a significant influence. Transformational leadership has a significant influence the strongest influence on the culture of innovation, which indicates that leadership Inspirational and participatory leadership is essential in building an innovative climate in an organization.

Table 4. R-square value

Endogenous variables	R-square	Interpretation
Culture of innovation	0.679	Strong
Job satisfaction	0.540	Currently
Employee performance	0.729	Strong

The R-square value of 0.729 for employee performance indicates that the model is able to explain 72.9% of the variation in employee performance. Meanwhile, the R-square values for job satisfaction of 0.540 and innovation culture of 0.679 indicate that the exogenous constructs in the model have fairly good explanatory power

The research results show that transformational leadership has a positive and significant impact on innovation culture. This finding confirms that leaders who provide vision, support, and role models are able to create a work environment that encourages creativity and innovation. In an organization like PT Hutan Rindang Banua, this leadership style is crucial because work processes require rapid adaptation to operational and environmental challenges.

Transformational leadership also has a positive and significant impact on job satisfaction. This means that when employees feel inspired by leadership, valued, and given individual attention, their job satisfaction levels increase. Improved job satisfaction leads to increased employee psychological attachment to the organization.

The effect of transformational leadership on employee performance is significant, but the coefficient is smaller than the indirect effect through innovation culture and job satisfaction. This suggests that transformational leadership is more effective when accompanied by a work environment that supports innovation and high job satisfaction. In other words, Leadership is the initial driver, but the final outcome is heavily influenced by the psychological and cultural conditions of the organization.

A culture of innovation has been shown to significantly impact employee performance. This means that organizations that foster new ideas, process improvement, and continuous learning will have more productive and adaptable employees. This finding aligns with the needs of the forestry industry, which demands efficiency, accuracy, and the ability to adapt to changes in the field.

Job satisfaction also significantly impacts employee performance. Satisfied employees tend to have higher motivation, better work concentration, and a stronger commitment to their work. Thus, job satisfaction is not only a result of the organizational environment but also a crucial factor in determining job performance.

Overall, the results of this study support the use of Goal Setting Theory as an explanatory framework. Clear organizational goals, measurable work challenges, and appropriate feedback will be more effective when led by transformational leaders capable of creating a culture of innovation and job satisfaction. This, in turn, can lead to more sustainable employee performance improvements.

Practically, PT Hutan Rindang Banua needs to strengthen its transformational leadership style at the managerial and supervisory levels. Leadership training programs, coaching, and behavioral evaluations can be directed at developing the ability to provide vision, motivate,

and listen to subordinates' input.

Companies also need to foster a culture of innovation through idea reward systems, work improvement discussion forums, and support for controlled experiments. Furthermore, increasing job satisfaction should be a priority through better internal communication, fairness in task allocation, and improved work relationships.

Theoretically, this research enriches the study of the relationship between transformational leadership, innovation culture, job satisfaction, and employee performance in the context of natural resource-based organizations. The findings also support the notion that performance does not exist in isolation but rather arises from the interaction between leadership style, organizational culture, and employee psychological well-being.

4. Conclusion

This study concluded that transformational leadership has a positive and significant impact on a culture of innovation, job satisfaction, and employee performance. A culture of innovation and job satisfaction were also shown to have a positive and significant impact on employee performance. These results indicate that performance improvement at PT Hutan Rindang Banua is most effectively achieved through inspirational leadership, an innovative climate, and positive job satisfaction.

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