

THE EFFECT OF TRANSACTIONAL LEADERSHIP ON EMPLOYEE PERFORMANCE: THE MEDIATING ROLE OF ORGANIZATIONAL TRUST AND THE MODERATING ROLE OF PERCEIVED ORGANIZATIONAL SUPPORT

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Abstract

This study aims to analyze the effect of transactional leadership on employee performance, with organizational trust acting as a mediating variable. This study employs a quantitative approach using the Partial Least Squares - Structural Equation Modelling (PLS-SEM) method. Data were collected from 56 respondents via a questionnaire. The results indicate that transactional leadership does not have a significant direct effect on employee performance. However, transactional leadership has a positive and significant effect on organizational trust, and organizational trust also has a significant effect on employee performance. Furthermore, the mediation test results show that organizational trust mediates the relationship between transactional leadership and employee performance. These findings suggest that the influence of leadership on employee performance occurs indirectly through organizational trust. This study contributes to the development of human resource management by emphasizing the importance of trust as a mediating variable.

Keywords: Transactional Leadership; Organizational Trust; Employee Performance; PLS-SEM; Mediation

INTRODUCTION

Prison institutions (Lapas) are public organizations whose nature of work demands a high level of discipline, adherence to standard operating procedures, and the ability to manage high-risk situations. In this context, leadership style is a key determinant in enhancing staff effectiveness. One relevant style is transactional leadership, which emphasizes the exchange between leaders and subordinates through rewards, corrections, and target-based supervision (Judge & Piccolo, 2004). The quality of service provided by prison staff has a significant impact on the success of modern correctional objectives, which no longer focus on retribution but on rehabilitation (Rihendry & Subroto, 2022). The complexity of prison officers' duties demands leadership capable of inspiring, guiding and motivating staff to achieve optimal performance in high-risk, high-pressure situations. In the context of organizations such as correctional institutions, the role of a leader is crucial in guiding the organization towards achieving its objectives. It is not merely the leader's ability to serve as a role model for subordinates, but the leadership style that plays a vital role in motivating subordinates to work together and collaborate within an organization. One style that is particularly relevant for leading high-risk organizations such as correctional institutions (Lapas) is transactional leadership. Transactional leadership is a leadership style that emphasizes the exchange between leaders and subordinates through the provision of rewards, corrective feedback, and target-based supervision (Judge & Piccolo, 2004). In addition to leadership factors, organizational trust is also a key variable in high-risk organizations such as prisons. Staff trust in management enhances

confidence in the fairness of policies, the consistency of instructions, and psychological safety in the workplace. Research by Susanto et al. (2025) indicates that organizational trust has a significant impact on improving employee performance through psychological mechanisms and positive work behavior. Furthermore, perceived organizational support (POS) also plays a crucial role in strengthening the relationship between leadership and performance outcomes. When employees feel that the organization values their contributions, provides job security, and cares for their psychological well-being, the influence of leadership on trust and performance becomes stronger (Khoerunnisa et al., 2025). Given this phenomenon, this study is important for examining the influence of transactional leadership on prison staff performance, with organizational trust acting as a mediator.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Transactional Leadership

According to Bass, transactional leadership is a leadership style that focuses on the exchange of rewards and supervision based on work deviations. Judge and Piccolo (2004) found in their meta-analysis that transactional leadership is effective in improving task performance in organizations with a highly formal structure. For prison staff, this style is particularly relevant as the work system places great emphasis on compliance, security and continuous monitoring. Research by Febrianti and Swasti (2026) also demonstrates that transactional leadership is associated with improved employee performance in target-based roles. According to Burn, as cited in Odumeru and Ifeanyi (2013), transactional leadership is a leadership style in which leaders encourage compliance from their followers or employees through two factors: rewards and punishments. Leaders with a transactional leadership style operate by monitoring employees' work to identify errors and deviations. Sobry (2017), transactional leadership occurs when one person takes the initiative to make contact with another with the aim of exchanging goods or matters deemed important. Such an exchange may be economic, political, or psychological in nature. This form of leadership is based on transactions or exchanges between the leader and subordinates. The leader provides specific rewards or recognition to subordinates if they are able to meet the leader's expectations.

Organizational Trust

Organizational trust refers to employees' belief in the integrity, reliability and concern of the organization and its leadership. Trust serves as a vital foundation within organizations characterized by high work pressure. Susanto et al. (2025) explain that trust has a significant influence on employee performance as it enhances job crafting, engagement, and adaptive work behavior. In the context of prisons, trust is vital to ensure staff have confidence in management decisions regarding security, prisoner rehabilitation, and incident management. Staff confidence in the organization they work for will, of course, serve as a driving force that encourages them to develop a strong sense of commitment to their work, thereby motivating them to carry out their duties with enthusiasm and helping them to feel that their work is both enjoyable and important to them. Research conducted by Potu (2013) indicates that the decline in staff performance is due to their low work motivation, which is partly caused by the organization's lack of attention to staff. In high-risk organizations, issues of integrity within the organization indirectly influence staff commitment, particularly in terms of dedication and loyalty to management

Perceived Organizational Support

Perceived organizational support refers to employees' perception that the organization values their contributions and cares about their well-being (Eisenberger et al., 1986). can also be interpreted as increasing employees' emotional attachment to the organization and their expectation that their efforts to achieve the organization's objectives will be recognized. In this

regard, Einseberg draws three conclusions regarding the perception of organizational support, namely: organizations can influence employees' attitudes and behavior through perceived organizational support; employees who feel supported by the organization tend to be absent less frequently; and employees with a strong exchange ideology are more sensitive to perceived organizational support than those with a weak exchange ideology towards their organization. Sun (2019) adds that Perceived Organizational Support reflects an organization's appreciation of staff contributions, as well as its concern for staff welfare. Perceived Organizational Support serves as a tool to help organizations build good relationships with subordinates and motivate them to work harder and be more loyal to their leaders.

RESEARCH METHODS

This study employs an exploratory quantitative approach using the SEM-PLS method, as the research model involves direct, mediating, and moderating relationships simultaneously (Hair et al., 2022). This method is widely used in research on trust, leadership, and POS based on SmartPLS. The research population consists of all staff at prisons and detention centres under the Central Java Regional Office of the Ministry of Law and Human Rights, based at Purwokerto Class IIA Prison, comprising 56 respondents consisting of: Security Staff, Registration Staff, Training Staff, Administrative Staff, and Management Staff. The sampling technique used was purposive sampling. Data were collected using a 1–5 Likert scale questionnaire. Analyses conducted using SmartPLS 3 included: Outer model, Convergent validity, Discriminant validity, Composite reliability, Bootstrapping, and Specific indirect effects or Mediation.

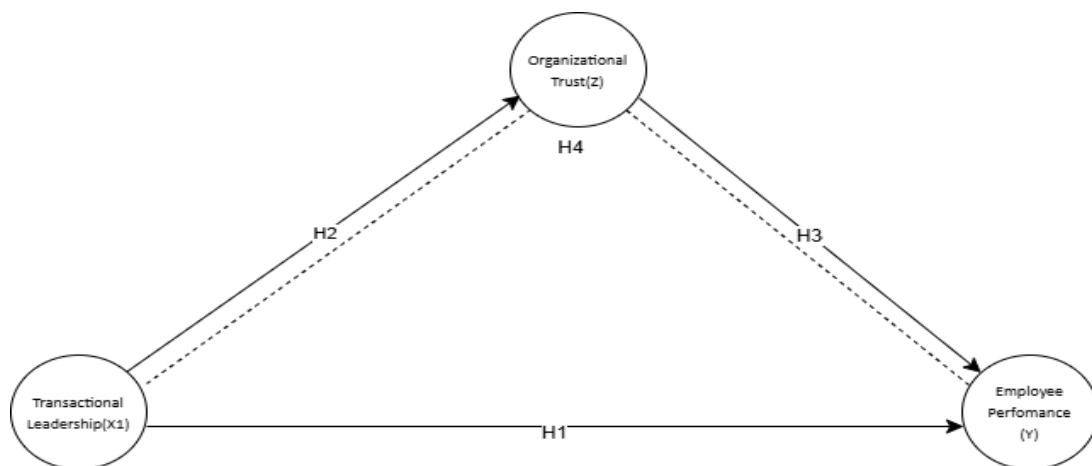


Figure 1. Research Model

RESULTS AND DISCUSSION

This study employs a Partial Least Squares - Structural Equation Modelling (PLS-SEM) approach to analyse the relationship between transactional leadership, organisational trust, and employee performance. The study involved 56 respondents, which still met the minimum criteria for PLS analysis as this method is relatively robust with regard to small sample sizes.

Results of the Validity and Reliability Tests of Research Indicators

The measurement model testing stage (outer model) included tests of convergent validity and discriminant validity, whilst construct reliability was tested using Cronbach's alpha and composite reliability. The PLS model can be used for hypothesis testing provided that all indicators meet the required validity and reliability criteria.

Convergent Validity Testing

Convergent validity was assessed by examining the factor loadings of each indicator on its respective construct. According to several references, factor loadings of ≥ 0.5 are considered to indicate adequate validity (Chin, 1998; Ghazali, 2014; Hair et al., 2010). In this study, all indicators showed factor loadings above 0.5, with the majority falling within the range of 0.7–0.8, indicating a strong contribution to explaining the latent construct. Furthermore, the Average Variance Extracted (AVE) for each construct also exceeded 0.5, indicating that the construct explains more than 50% of the variance in its indicators. The AVE values obtained were 0.600 for organisational trust, 0.660 for employee performance, and the other constructs also met the established criteria. Based on these results, it can be concluded that all indicators in this research model have met the criteria for convergent validity; consequently, the measurement model is deemed valid and suitable for further analysis.

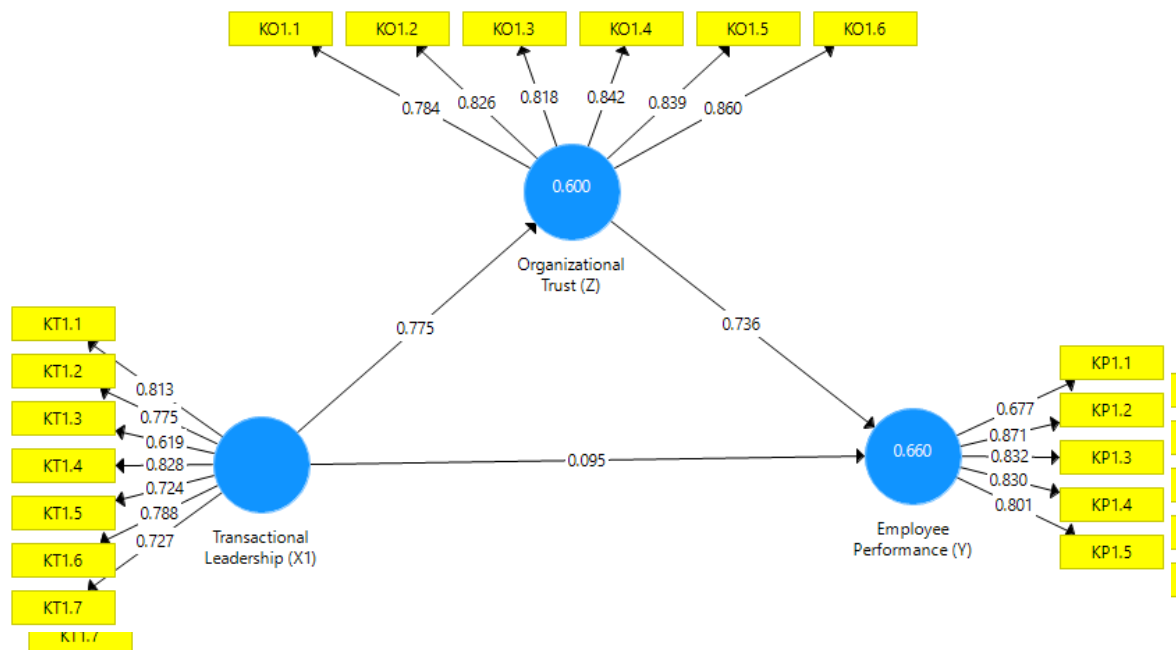


Figure 2. Valid Research Model

Table 2. Cronbach's Alpha, rho_A, Composite Reliability, and Average Variance Extracted (AVE)

Variables	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Employee Performance (Y)	0.862	0.862	0.902	0.648
Organizational Trust (Z)	0.908	0.910	0.929	0.686
Transactional Leadership (X1)	0.874	0.887	0.903	0.572

Source: Processed internal data (2026)

Construct Reliability Testing

Construct reliability in this study was evaluated using Cronbach's alpha, rho_A, and composite reliability. Based on the recommended criteria, Cronbach's alpha and composite reliability must be greater than 0.7 (Ghozali, 2014) to indicate that the construct possesses good

internal consistency. The test results in Table 2 show that all constructs met the reliability criteria. The Employee Performance (Y) construct had a Cronbach's alpha value of 0.862 and a composite reliability of 0.902. The Organizational Trust (Z) construct showed a Cronbach's alpha value of 0.908 and a composite reliability of 0.929. Meanwhile, the Transactional Leadership (X1) construct has a Cronbach's alpha value of 0.874 and a composite reliability of 0.903. Furthermore, the rho_A values for all constructs are also above 0.7, which further strengthens the internal consistency of each construct. In terms of convergent validity, the Average Variance Extracted (AVE) values for each construct also exceeded the minimum threshold of 0.5, namely 0.648 for Employee Performance (Y), 0.686 for Organizational Trust (Z), and 0.572 for Transactional Leadership (X1). This indicates that each construct accounts for more than 50% of the variance in its respective indicator. It can therefore be concluded that all constructs in this study meet the criteria for reliability and convergent validity, and are thus suitable for further analysis.

Table 3. Discriminant Validity

Variables	EP (Y)	OC (Z)	TL (X1)
Employee Performance (Y)	0,805		
Organizational Trust	0,810	0,828	
Transactional Leadership	0,666	0,775	0,756

Source: Processed internal data (2026)

Table 4. Collinearity Statistics (VIF)

Variables	Employee Performance (Y)	Organizational Trust (Z)
Organizational Trust (Z)	2.501	
Transactional Leadership (X1)	2.501	1.000

Source: Processed internal data (2026)

Discriminant Validity Testing

A discriminant validity test was conducted to ensure that each latent construct in this study was clearly distinguishable from the others. The test was carried out using the Fornell-Larcker criterion, which involves comparing the root mean square error of approximation (RMSEA) values (diagonal values) with the interconstruct correlations (off-diagonal values). Based on the results in Table 3, it is evident that the square root of the AVE for each construct is greater than the correlations between the other constructs. The values for Employee Performance (Y) are 0.805, Organizational Trust (Z) 0.828, and Transactional Leadership (X1) 0.756, all of which are higher than the correlations between the variables. This indicates that each construct possesses good discriminant validity. Furthermore, the correlation values between constructs—such as between Organizational Trust (Z) and Employee Performance (Y) at 0.810, and between Transactional Leadership (X1) and the other constructs—remain below their respective diagonal values. It can therefore be concluded that the model meets the criteria for discriminant validity based on the Fornell-Larcker Criterion. Next, a collinearity evaluation was conducted to determine the presence of multicollinearity in the model by examining the Variance Inflation Factor (VIF) values. Based on Table 4, all VIF values are below the critical threshold of 5, namely 2.501 for the relationship with Employee Performance (Y) and 1.000 for certain constructs. This indicates that there are no issues of multicollinearity in the research model.

Hypothesis Testing

Hypothesis testing in PLS is also referred to as internal model testing. This testing involves testing the significance of direct and indirect effects, as well as measuring the magnitude of the influence of exogenous variables on endogenous variables. To determine the effect of transactional

leadership on employee performance via organizational trust in change as a mediating variable, it is necessary to test both direct and indirect effects. The effects were tested using the t-test in a partial least squares (PLS) analysis model with the aid of SmartPLS 3 software. Using the bootstrapping technique, the R-squared values and significance test values were obtained as shown in Tables 5 and 6 below:

Table 5. R Square Value

Variables	R Square	R Square Adjusted
Organizational Trust (Z)	0.600	0.593
Employee Performance (Y)	0.660	0.647

Source: Processed internal data (2026)

Based on Table 5 above, the R-squared value for Organizational Trust is 0.600, which means that the Organizational Trust variable can be explained by the transactional leadership (TL) variable by 60.0%, whilst the remaining 40.0% is explained by other variables not discussed in this study. The R-squared value for Employee Performance (EP) is 0.660, which means that the Employee Performance (EP) variable can be explained by the transactional leadership (TL) and Organizational Trust variables by 66.0%, whilst the remaining 34.0% is explained by other variables not discussed in this study.

Table 6. Hypotheses Testing

Hypotheses	Relationship	Beta	SE	T Statistics	P-Values	Decision
H1	TL -> EP	0.108	0.158	0.603	0.547	Not Supported
H2	TL -> OT	0.786	0.051	15.216	0.000	Supported
H3	OT -> EP	0.726	0.137	5.391	0.000	Supported
H4	TL -> OT -> EP	0.571	0.118	4.823	0.000	Supported

Source: Processed internal data (2026)

Hypothesis testing in this study was conducted using the bootstrapping method within the PLS-SEM framework. Based on the analysis results, path coefficients (beta), t-statistics, and p-values were obtained to determine the significance of the relationships between variables. The test results indicate that Transactional Leadership does not have a significant effect on Employee Performance. This is indicated by a coefficient value of 0.108 with a t-statistic of 0.603 and a p-value of 0.547 ($p > 0.05$), meaning that the first hypothesis (H1) is not supported. This finding suggests that transactional leadership has not yet been able to directly improve employee performance. Furthermore, Transactional Leadership was found to have a positive and significant influence on Organizational Trust, with a coefficient of 0.786, a t-statistic of 15.216, and a p-value of 0.000 ($p < 0.05$). Thus, the second hypothesis (H2) is supported. This indicates that the better the implementation of transactional leadership, the higher the level of employee trust in the organisation. The test results also show that Organizational Trust has a positive and significant effect on Employee Performance, with a coefficient of 0.726, a t-statistic of 5.391, and a p-value of 0.000 ($p < 0.05$). Therefore, the third hypothesis (H3) is supported. These findings indicate that organizational trust is a key factor in enhancing employee performance. Furthermore, the results of the mediation test show that organizational trust mediates the relationship between transactional leadership and employee performance. This is evidenced by a coefficient value of 0.571, a t-statistic of 4.823, and a p-value of 0.000 ($p < 0.05$), thus supporting the fourth hypothesis (H4). Consequently, it can be concluded that the influence of Transactional Leadership on Employee Performance does not occur directly, but rather through an increase in Organizational Trust as the

mediating variable. This finding confirms that organizational trust plays a crucial role in bridging the relationship between leadership and employee performance.

CONCLUSION

The results of this study indicate that transactional leadership does not have a significant direct effect on employee performance. Although the direction of the relationship is positive, the low and insignificant coefficient values suggest that the application of transactional leadership has not yet been able to directly improve employee performance. This finding can be explained by the characteristics of transactional leadership, which places greater emphasis on reward systems and supervision; this tends to encourage only short-term performance and is less effective at fostering intrinsic motivation among employees. On the other hand, Transactional Leadership has been shown to have a positive and significant influence on Organizational Trust. This suggests that clarity of rules, consistency in the application of rewards and punishments, and certainty in working relationships can enhance employees' trust in the organization. When leaders act fairly and consistently, employees feel more secure and confident in the systems operating within the organization. Furthermore, Organizational Trust has been shown to have a positive and significant influence on Employee Performance. These findings suggest that trust is a key factor in motivating employees to perform to the best of their ability. Employees who have a high level of trust in the organization tend to demonstrate commitment, loyalty, and a willingness to give their best performance. Furthermore, the results of the mediation test show that Organizational Trust acts as a significant mediating variable in the relationship between Transactional Leadership and Employee Performance. This indicates that the influence of transactional leadership on employee performance occurs indirectly through an increase in organizational trust. In other words, without trust, the effectiveness of transactional leadership in improving performance is limited. The findings of this study confirm that the psychological factor of organizational trust plays a key role in bridging the relationship between leadership style and employee performance. These results also enrich the literature on human resource management, particularly regarding mediation mechanisms within organizational behavior models.

This study aims to analyze the effect of Transactional Leadership on Employee Performance, with Organizational Trust acting as a mediating variable. Based on the results of the analysis using the PLS-SEM approach, it can be concluded that Transactional Leadership does not have a significant direct effect on Employee Performance. This indicates that the application of reward- and supervision-based leadership has not yet been able to directly improve employee performance. However, Transactional Leadership was found to have a positive and significant effect on Organizational Trust. Furthermore, Organizational Trust was also found to have a positive and significant effect on Employee Performance. These results confirm that organizational trust is a key factor in enhancing employee performance. Furthermore, this study found that Organizational Trust mediates the relationship between Transactional Leadership and Employee Performance. Thus, the influence of transactional leadership on employee performance occurs indirectly through an increase in organizational trust. These findings confirm that trust is a key element in bridging the relationship between leadership style and employee performance. This study has several limitations that should be noted. Firstly, the sample size used was relatively small, comprising 56 respondents, meaning that the generalizability of the findings remains limited. Future research is advised to use a larger sample size so that the results obtained are more representative and have a higher degree of generalizability. Secondly, this study only utilized one type of leadership style, namely Transactional Leadership. Therefore, future research could develop the model by adding other leadership style variables, such as transformational leadership or authentic leadership, to gain a more comprehensive understanding. Thirdly, this study only used Organizational Trust as a mediating variable. Future research could consider other mediating variables such as job satisfaction, work motivation, or organizational commitment to enrich the research model.

Fourthly, this study employed a quantitative approach using a survey method, and thus was unable to explore the phenomena occurring in the field in depth. Consequently, future research is advised to adopt a mixed-methods or qualitative approach to provide a deeper understanding of the dynamics of the relationships between variables. Taking these limitations into account, it is hoped that future research will develop a more comprehensive model and make a broader contribution, both theoretically and practically

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