

Research Article**ORGANIZATIONAL COMMUNICATION MODERATES THE INFLUENCE OF TRANSFORMATIONAL LEADERSHIP AND HUMAN CAPITAL ON THE PERFORMANCE OF TOURISM SERVICE EMPLOYEES IN THE RIAU PROVINCE ENVIRONMENT****Junaidi, Budiyanto and *Agustedi**

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Abstract

This study employs the resource-based view theory and contingency theory as theoretical frameworks to empirically investigate the role of organizational communication in moderating the influence of transformational leadership and human capital on the performance of tourism service employees in the Riau province environment. The data were processed using Partial Least Squares Structural Equation Modeling (PLS-SEM). This study posits organizational communication as a strategic approach to enhance employee performance. The research findings indicate that transformational leadership significantly influences employee performance, and human capital similarly exerts a significant influence on employee performance. Organizational communication assumes a moderating role in influencing the impact of transformational leadership on employee performance, as well as in influencing the impact of human capital on employee performance. These findings substantiate the Resource-Based View theory and contingency theory, emphasizing the attainment of competitive advantages through employees, whereby leaders must create opportunities for employees to express suggestions, ideas, and criticism in accordance with varying conditions and situations to achieve optimal performance.

Keywords: Resource-based view theory, contingency theory, organizational communication, transformational leadership, human capital.

INTRODUCTION

Numerous research studies on employee performance have been conducted, consistently capturing the interest of various stakeholders. Every organization relentlessly endeavors to enhance employee work productivity. Consequently, leaders must seek methods and solutions to elevate employee performance, as it is integral to the profound satisfaction derived from the work, facilitating the expeditious completion of tasks and the attainment of superior outcomes. Previous research on factors influencing employee performance reveals that transformational leadership significantly influences performance, as evidenced by studies conducted by Adhi and Aima (2021), Aondo *et al.* (2020), Khan *et al.* (2020), Ul-Haq *et al.* (2020), Buil *et al.* (2019), Imran *et al.* (2020), Gao *et al.* (2020), Mahdikhani and Yazdani (2020), Naderi *et al.* (2019), and Sosrowidigdo (2020). However, contrasting perspectives emerge in other research findings, suggesting that transformational leadership has no influence on performance, as indicated by studies conducted by Alrowwad *et al.* (2020), Chan (2020), Nji (2021), Piedade *et al.* (2020), and Putra *et al.* (2020). Previous research asserts that human capital significantly influences performance, as evidenced by studies conducted by Indrijawati *et al.* (2021), Akhter *et al.* (2021), Fernando *et al.* (2020), Philip and Ikechukwu (2018), Desta *et al.* (2020), Tjahyadi *et al.* (2020), Ma *et al.* (2018), Mubarik *et al.* (2020), Jogaratnam (2018), Samagaio and Rodrigues (2016), and Trans and Vo (2020). Conversely, other research findings suggest that human capital has no influence on performance, as observed in studies by Din *et al.* (2020), Qamariah and Muchtar (2020), Rodriguez and Orellana (2019), Scafarto *et al.* (2016), and Witasari and Gustomo (2020).

Inconsistencies persist in the results concerning the influence of transformational leadership and human capital on employee performance. To address these disparities, a proposed solution involves introducing a moderation concept with the organizational communication variable. Effective communication is characterized by mutual understanding between the message sender and receiver. Firmansyah and Syamsudin (2016) articulate the multifaceted role of communication in organizations, serving as an information conduit essential for decision-making by individuals and/or groups, and as motivational communication elucidating what employees need to do, how to excel in their work, and how to enhance performance if it falls below the standard. The anticipated outcome of this research is to reinforce resource-based theory and contingency theory by leveraging internal resources to attain sustainable competitive advantages through the motivation and control of employees in specific and evolving situations.

LITERATURE REVIEW**The influence of transformational leadership on employee performance**

In principle, leadership encompasses traits, behavior, influence, interaction patterns, role relationships, and work in administrative positions (Yukl and Gardner, 2018). Transformational leadership is a style employed by leaders to motivate, influence, and guide subordinates towards optimal performance, thereby achieving organizational goals. The research findings supporting the notion that transformational leadership influences performance have been asserted by several researchers, including Adhi and Aima (2021), Aondo *et al.* (2020), Khan *et al.* (2020), Ul-Haq *et al.* (2020), Buil *et al.* (2019), Imran *et al.* (2020), Gao *et al.* (2020), Mahdikhani and

Yazdani (2020), Naderi *et al.* (2019), and Sosrowidigdo (2020). Conversely, other research findings suggest that leadership has no influence on performance, as noted by Nji (2021), Piedade *et al.* (2020), Putra *et al.* (2020), Chan (2020), and Alrowwad *et al.* (2020). Despite these conflicting findings, there remains a disparity in research outcomes, with some studies affirming the influence of transformational leadership on performance while others refute such an influence. Given this research gap, the hypothesis to be tested in this study is:

H1: Transformational leadership influences the performance of tourism service employees in the Riau province environment.

The influence of human capital on employee performance

Human capital (HC) refers to a compilation of employee capabilities, encompassing competence, attitude, and intellectual agility (Roos *et al.*, 1997). The development of human capital involves fostering the internal individuals of an institution, recognized as its most valuable assets, to enhance business performance and cultivate the institution's competitive advantage through their competence, attitude, and intellectual agility. Within the tourism service in Riau Province, human capital comprises the institution's human resources actively contributing to innovative practices and the sustainable generation of profits. Consequently, the leaders and employees within the tourism service possess the potential to evolve into human capital, thereby furthering the institution's success.

The strategic significance of human resources within the tourism service plays a pivotal role in determining the office's optimal performance. This underscores the idea that only human resources can generate knowledge, simultaneously possessing knowledge that can transform into human capital within the service sector. This assertion affirms that human capital stands as a crucial component for the tourism service's success in attaining its objectives. Matthewman and Matignon (cited in Gaol, 2014) define human capital as the aggregation of knowledge, skills, experience, and relevant attributes of workforce strength within an organization, contributing to productivity, performance, and the realization of strategic goals. In line with Becker's perspective (referenced in Winy, 2012), human capital is not merely a resource but a form of capital that yields returns. Every investment made to enhance the quality and quantity of this capital is regarded as an investment activity.

Consequently, human capital emerges as a pivotal factor anticipated to provide competitive value through employees' capacity to enhance organizational performance. The research findings from various scholars support the notion that human capital influences performance, as evidenced by studies conducted by Indrijawati *et al.* (2021), Akhter *et al.* (2021), Fernando *et al.* (2020), Philip and Ikechukwu (2018), Desta *et al.* (2020), Tjahyadi *et al.* (2020), Ma *et al.* (2018), Mubarik *et al.* (2020), Jogaratnam (2018), Samagaio and Rodrigues (2016), and Trans and Vo (2020). Conversely, other research findings, as stated by Din *et al.* (2020), Qamariah and Muchtar (2020), Rodriguez and Orellana (2019), Scafarto *et al.* (2016), and Witasari and Gustomo (2020), suggest that human capital has no influence on performance. Based on these empirical studies, the hypothesis to be tested in this study is:

H2: Human capital influences the performance of tourism service employees in the Riau province environment.

Organizational communication moderates the influence of transformational leadership on employee performance

Redding and Sanborn (cited in Muhammad, 2005) define organizational communication as the transmission and reception of information within complex organizations. This field encompasses internal communication, human relations, managerial union relationships, downward communication (from superiors to subordinates), upward communication (from subordinates to superiors), horizontal communication (among individuals at the same organizational level), and communication skills such as speaking, listening, writing, and program evaluation. Organizational communication is intricately interconnected and serves as a tool for constructing a well-functioning organization. Any misinterpretation in communication can have repercussions on the organization's objectives. Consequently, it is imperative for existing human resources to comprehend and grasp the tasks communicated or assigned. Therefore, a comprehensive understanding of the components of organizational communication and the effective functioning of communication is essential to achieve organizational objectives.

Effective leadership communication serves as the focal point of organizational communication, proving effective when: 1) possessing the ability to instill confidence through communication; 2) employing communication skills to garner support from members towards achieving organizational objectives; 3) utilizing leadership communication to bolster self-confidence; 4) employing leadership communication to inquire about the "what" and "why"; and 5) employing leadership communication in delivering instructions, rewards, and sanctions (Faules and Pace, 2015). The research findings by Rukmana *et al.* (2018), Rajhans, K. (2012), Safitri, *et al.* (2012), Tonapa (2013), Purwanto and Sony (2013), and Femi (2014) affirm that organizational communication exerts an influence on performance. Effective communication establishes mutual understanding between management and workers, fostering genuine relationships within the organization.

According to Bovee and Thill (2007), companies that establish effective communication with employees facilitate a smooth and swift flow of information, ultimately impacting optimal performance. Femi's study (2014) further suggests that effective communication cultivates mutual understanding between management and employees, thereby influencing employee performance. This aligns with the perspective of Neves and Eisenberger (2012), who assert that management communication can influence performance, reflecting the company's concern for employee welfare and appreciation for their contributions. Several research findings assert that transformational leadership influences performance (Adhi and Aima, 2021; Aondo, *et al.*, 2020; Chandrawaty and Widodo, 2020; Izquierdo, *et al.*, 2015; and Muterera *et al.*, 2016). Conversely, other research findings suggest that transformational leadership has no influence on performance, as indicated by Balwant *et al.* (2021), Brown and Arendt (2010), Nji (2021), Piedade *et al.* (2020), and Putra *et al.* (2020). To address this research gap, researchers propose the organizational communication variable as a moderating factor. Consequently, researchers hypothesize that the implementation of high-value transformational leadership, coupled with effective organizational communication, can positively

influence performance. Therefore, the hypothesis to be tested in this study is:

H3: Organizational communication moderates the influence of transformational leadership on the performance of tourism service employees in the Riau province environment.

Organizational communication moderates the influence of human capital on employee performance

The influence of organizational communication on employee performance can be achieved by establishing good and effective communication between management and employees. The main element of communication in an organization is basically internal communication. Internal communication can act as a source of exchange of knowledge and ideas given that information is the basis of communication. Communication that flows quickly and well will be the basis for the growth and development of the organization (Nabi *et al.*, 2017). Femi (2014) states that effective communication will create mutual understanding between management and employees so that it will have an impact on employees. This research is in line with research conducted by (Oronje and Wainaina, 2019; Rukmana *et al.*, 2018). Titan (2016) found that internal communication has a significant impact on overall employee performance and productivity.

Various research findings assert that human capital influences performance, as evidenced by studies conducted by Awan and Sarfraz (2013), Brown *et al.* (2007), Gate and Langevin (2009), Le *et al.* (2012), Mubarik *et al.* (2020), and Odhon'g and Omolo (2015). Conversely, other research findings, as stated by Din *et al.* (2020), Qamariah and Muchtar (2020), Rodriguez and Orellana (2019), and Scafarto *et al.* (2016), suggest that human capital has no significant influence on performance. Therefore, the hypothesis to be tested in this study is:

H4: Organizational communication moderates the influence of human capital on the performance of tourism service employees in the Riau province environment.

The following figure outlines the conceptual framework for this study:

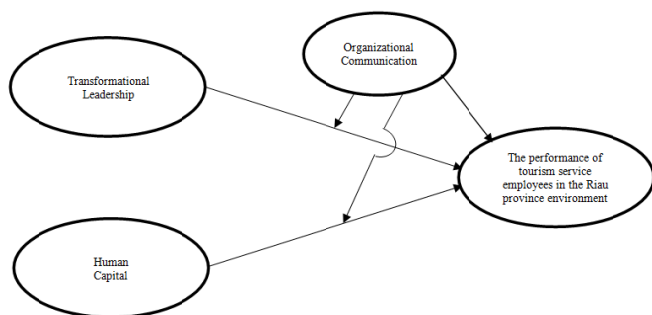


Figure 1. Conceptual Framework

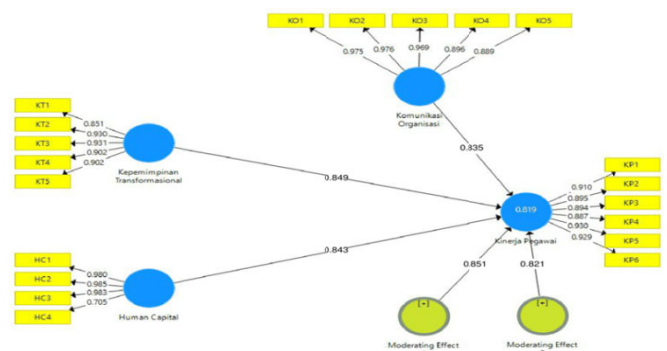
METHODS

To test the model, researchers selected tourism service employees in the Riau province environment as the sample. This study acknowledges the pivotal role of employees in enhancing the performance of tourism services, aligning with the resource-based view theory and contingency theory. The

rationale behind testing this model on tourism service employees in the Riau province environment was prompted by an observed tendency of declining performance in the tourism service sector in the region. This research utilizes Structural Equation Modeling (SEM) with SMARTPLS 3.0 to assess the proposed hypotheses. To measure employee performance, indicators are derived from PP No.30/2019 and Pergub. Riau No.33/2019, encompassing service orientation, integrity, commitment, discipline, cooperation, and work initiative. Transformational leadership indicators are derived from Northouse (2021) and include the influence of ideal traits, influence of ideal behavior, inspiring motivation, intellectual stimulation, and adapted considerations. Human capital indicators are derived from Mayo (2000) with components such as individual capability, individual motivation, organizational climate, and workgroup effectiveness. Organizational communication indicators, developed by Face and Faules (2015), encompass downward communication, upward communication, horizontal communication, cross-channel communication, and informal, personal, or grapevine communication.

RESULTS AND DISCUSSION

The research involves 170 tourism service employees in Riau province with an educational background of 59.4% undergraduate, 55.3% female with work experience >15-20 years 27.1%. The majority rank III with general positions being staff. Regarding respondents' responses to the employee performance variable, the highest achievement indicator was cooperation, while the lowest was service orientation. For the transformational leadership variable, respondents' responses were in the high category, with intellectual stimulation as the highest achievement indicator and adapted considerations as the lowest. In the human capital variable, respondents' responses were in the high category, with workgroup effectiveness as the highest achievement indicator and individual motivation as the lowest. Meanwhile, in the organizational communication variable, respondents' responses were in the high category, with downward communication as the highest achievement indicator and informal, personal, and grapevine communication as the lowest. The following is the research *path* model:



Source: SmartPLS 3.0

Figure 2. Research Path Model

Measurement Model Analysis (Outer Model)

Convergent Validity Test

The results of the convergent validity test of the data in this study are presented in the following Table 1:

Table 1. FactorLoading

Variable	Indicator	Factor loading
Transformational leadership	KT1: Ideal traits	0.851
	KT2: Ideal behavior	0.930
	KT3: Inspiring motivation	0.931
	KT4: Future optimistic intellectual stimulation	0.902
	KT5: Adapted considerations	0.902
Human Capital	HC1: Individual capability	0.980
	HC2: Individual motivation	0.985
	HC3: Organizational climate	0.983
	HC4: Workgroup effectiveness	0.705
Organizational Communication	KO1: Downward communication	0.975
	KO2: Upward communication	0.976
	KO3: Horizontal communication	0.969
	KO4: Cross-channel communication	0.896
	KO5: Informal, personal or grapevine communication	0.889
Employee Performance	KP1: Service orientation	0.910
	KP2: Integrity	0.895
	KP3: Commitment	0.894
	KP4: Discipline	0.887
	KP5: Cooperation	0.930
	KP6: work initiative	0.929

Source: SmartPLS 3.0

Based on the results of the convergent validity test in Table 1, if the factor loading value is <0.5 , it must be removed from the model then the factor loading value must be re-estimated. By removing several factor loadings of <0.5 , all indicators are used to continue the analysis to the next stage. The convergent validity is met if all factor loadings are >0.5 . Because all factor loadings in this study are >0.5 , meaning that all indicators are valid to form a variable construct.

Discriminant Validity Test

The results of the discriminant validity test of the data in this study are presented in the following Table 2:

Table 2. Cross Loading Values

	Human Capital	Transformational Leadership	Employee Performance	Organizational Communication	Moderating Effect 1	Moderating Effect 2
HC1	0.980	0.832	0.757	0.538	0.207	0.262
HC2	0.985	0.828	0.752	0.547	0.201	0.261
HC3	0.983	0.819	0.741	0.551	0.193	0.258
HC4	0.805	0.562	0.549	0.747	0.159	0.207
Human Capital * Organizational Communication	0.269	0.219	0.163	0.180	0.920	1,000
KO1	0.605	0.564	0.530	0.975	0.125	0.184
KO2	0.602	0.563	0.530	0.976	0.122	0.180
KO3	0.594	0.557	0.526	0.969	0.118	0.174
KO4	0.596	0.592	0.564	0.896	0.105	0.147
KO5	0.566	0.519	0.494	0.889	0.147	0.165
KP1	0.727	0.843	0.910	0.545	0.078	0.157
KP2	0.632	0.774	0.895	0.426	0.085	0.163
KP3	0.629	0.772	0.894	0.429	0.082	0.159
KP4	0.699	0.824	0.887	0.511	0.003	0.099
KP5	0.737	0.850	0.930	0.568	0.059	0.158
KP6	0.734	0.848	0.929	0.571	0.056	0.154
KT1	0.723	0.851	0.791	0.563	0.106	0.205
KT2	0.729	0.930	0.819	0.533	0.100	0.188
KT3	0.732	0.931	0.819	0.530	0.103	0.192
KT4	0.785	0.902	0.804	0.558	0.147	0.219
KT5	0.800	0.902	0.845	0.507	0.090	0.188
Transformational Leadership * Organizational Communication	0.207	0.120	0.066	0.130	1,000	0.920

Source: SmartPLS 3.0

Based on the results of the discriminant validity test in Table 2, the model has good discriminant validity if each indicator loading value of a latent variable is greater than other correlated variables. The cross loading value in this study for each indicator is greater than the other latent variables. This shows that each variable has good discriminant validity.

Construct reliability test

Average Variance Extracted (AVE) has a value of >0.5 and Composite Reliability (CR) has a value of >0.7 , meaning that

the construct is well-built or is reliable (Hair *et al.*, 2019). The results of the construct reliability test of the data in this study are presented in the following Table 3:

Table 3. Construct Reliability

Variable	Average Variance Extracted (AVE)	Composite Reliability
Transformational Leadership (KT)	0.817	0.957
Human Capital (HC)	0.849	0.957
Organizational Communication (KO)	0.887	0.975
Employee Performance (KP)	0.824	0.966

Source: SmartPLS 3.0

Structural Model Analysis (Inner Model)

Coefficient of Determination (R²): The R-Square values in this study are presented in the following Table 4:

Table 4. R-Square

Variable	R Square
Transformational Leadership (KT)	-
Human Capital (HC)	-
Organizational Communication (KO)	-
Employee Performance (KP)	0.819

Source: SmartPLS 3.0

The results of R² of 0.67; 0.33; and 0.19 indicates that the model is "good", "moderate", and "weak" respectively (Hair *et al.*, 2019). Based on Table 4, the adjusted R-Square value for the employee performance variable is 0.970, meaning the percentage of influence of the transformational leadership, human capital, and organizational communication variables is 81.9% and the model is categorized as good.

Predictive Relevance (Q²)

The Q² value has the same meaning as the coefficient of determination (R-Square). A Q Square (Q²) value of 0 indicates the model has predictive relevance; conversely, a Q² value of less than 0 indicates that the model has less predictive relevance; or in other words, if all the Q² values are higher, the model can be considered more fit to the data (Hair *et al.*, 2019). The Q² value in this study are presented in the following:

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2) \dots (1 - R_n^2)$$

$$Q^2 = 1 - (1 - 0.819)$$

$$Q^2 = 1 - 0.181$$

$$Q^2 = 0.819$$

The calculation results show a Q² value of 0.819, meaning that the variables studied can be explained by this model and the remaining 0.181 is influenced by variables not studied.

Analytics Hypothesis

The results of hypothesis testing are presented in the following Table 5:

Table 5. Hypothesis Test Results

	Original Sample (O)	T Statistics ((O/STDEV))	P Values	Information
Transformational Leadership -> Employee Performance	0.849	14,478	0,000	Accepted
Human Capital -> Employee Performance	0.843	13,297	0,000	Accepted
Organizational Communication -> Employee Performance	0.835	12,925	0,000	Accepted
Moderating Effect 1 -> Employee Performance	0.851	15,021	0,000	Accepted

Source: SmartPLS 3.0

Hypothesis 1

The magnitude of the influence of transformational leadership on the performance of tourism service employees in the Riau province environment is 0.849, with a P-Value >0.05. Therefore, it can be concluded that transformational leadership has a significant influence on employee performance. This figure indicates that the higher the level of transformational leadership exhibited by the head of the tourism service in the Riau province environment, the greater the direct impact on enhancing the performance of the tourism service. Thus, the first hypothesis, which posits that transformational leadership

has a significant influence on the performance of tourism service employees in the Riau province environment, can be accepted (H1 is accepted).

Hypothesis 2

The magnitude of the influence of human capital on the performance of tourism service employees in the Riau province environment is 0.843, with a P-Value > 0.05. Therefore, it can be concluded that human capital has a significant influence on employee performance. This figure indicates that the higher the value of human capital, the greater the impact it will have on the performance of employees who work within the tourism service in the Riau province environment. Thus, the second hypothesis, which posits that human capital has a significant influence on the performance of tourism service employees in the Riau province environment, can be accepted (H2 is accepted).

Hypothesis 3

The magnitude of the influence of the interaction between organizational communication and transformational leadership (KO*KT) on the performance of tourism service employees in the Riau province environment is 0.851, with a T-statistic of 15.021 and a P-Value < 0.05. Therefore, it can be concluded that organizational communication plays a moderating role in influencing transformational leadership on employee performance. Thus, it can be inferred that organizational communication serves as a moderator, strengthening the influence of transformational leadership on the performance of tourism service employees in the Riau province environment, and this means H3 acceptable (H3 is accepted). From the results of the direct influence testing, it is evident that transformational leadership has an influence on employee performance, indicating that transformational leadership can directly enhance performance. Furthermore, organizational communication also plays a moderating role, and the role of this variable is capable of strengthening (as the coefficient is positive) the influence of transformational leadership on the performance of tourism service employees in the Riau province environment. Consequently, employee performance is higher than without the moderating role. The nature of the moderating influence is pseudo-moderation, as the coefficient of the direct influence and the interaction variable are significant.

Hypothesis 4

The magnitude of the influence of the interaction between organizational communication and human capital (KO*HC) on the performance of tourism service employees in the Riau province environment is 0.821, with a T-statistic of 11.985 and a P-Value < 0.05. Therefore, it can be concluded that organizational communication plays a moderating role, influencing human capital on the performance of tourism service employees in the Riau province environment, and this means H4 acceptable (H4 is accepted). Furthermore, it is established that human capital directly influences employee

performance. However, with organizational communication as a moderating variable, the role of this variable is capable of strengthening its influence (as the coefficient is positive). Consequently, the influence of human capital on the performance of tourism service employees in the Riau province environment can be more enhanced than without the moderating role. The nature of the moderating influence is pseudo-moderation, as the coefficient of the direct influence and the interaction variable are significant.

Conclusion

This research aims to enhance the resource-based view and contingency theory through a conceptual model encompassing the transformational leadership, human capital, organizational communication, and employee performance variables. The research results indicate the acceptance of all four proposed hypotheses. The most effective path in enhancing employee performance was found to be the moderating influence of organizational communication on the influence of leadership on employee performance. This path provided the greatest total effect or influence compared to other relationship paths in the research. It can be concluded that this model contributes to strengthening the resource-based view theory and contingency theory. From a managerial perspective, one strategy for enhancing employee performance is to enhance downward communication, upward communication, cross-channel communication, and informal communication. Future research can replicate similar studies, including subjects from different service sectors, which may yield varied results. Furthermore, it is recommended that future research focuses on the specific role of organizational communication in enhancing employee performance.

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