

## The Role of Change Leadership on Employee Performance: Social Capital as Mediating Variable at Village-Owned Enterprises



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**ABSTRACT:** Village-Owned Enterprises (VOE) are an instrument for local economic empowerment with various types according to the potential of the village. The spirit of VOE development departs from the potential that villages have but have not yet optimized, which has an impact on society directly or indirectly. This capacity building aims to improve the economy and welfare of village residents through developing economic business. The success of a business entity can be seen from the performance of its employees. Employee performance is an important indicator in achieving organizational performance. Organizational factors are represented by the role of change leadership which is considered as a visionary figure and is able to mobilize all members of the organization to achieve organizational goals. This means that leadership is the main factor, then it will have an impact on the formation of social capital, and finally it will have an impact on the quality of relationships that lead to performance. Change leaders have sensitivity and a positive view of the future which can influence the performance of their followers with the social capital that has been built between the leader and followers.

**KEYWORDS:** Chage leadership, Employee Performance, Social Capital, VOE

### I. INTRODUCTION

The changes are developing so rapidly, where these changes have an impact on village welfare, but also have an impact on the regional sector. These changes must be anticipated well so that the changes can lead to maximum achievement and productivity. Saefulrahman (2015) emphasized that development is often conceptualized as an effort to change from one social condition to another social condition that is considered better by parties (call them development agents) who want to make changes. This means that to achieve better change, there needs to be careful planning, where the centre of VOE planning rests on the leader. Apart from that, of course, community participation is also expected to play an active role in improving the economy at the lower level. The community can no longer only be an input in planning, the role of the community must also play a full role in improving the economy and improving community welfare. The government is still inward-looking (only oriented towards the ranks of the government bureaucracy), so public participation in policy will only be an empty slogan (Santoso, Hanif, and Gustomy, 2004).

Employee performance is influenced by the role of the leader, because the leader is the spearhead of the company (Abdul Manaf & Abdul Latif, 2014). Zheng, Batuo, and Shepherd (2017) said that improving the local economy with a massive impact requires unique local companies with potential that are managed similar to state-owned enterprises or state-owned enterprises. To strengthen the role of VOE were formed to strengthen the potential of each village. VOE is a village-owned business institution that is full of social capital (Regency, 2021). Social capital is a fairly basic determinant in improving employee performance. Zoghbi-Manrique-de-Lara & Ruiz-Palomino (2019) in their research results revealed that social capital will form a structure that can strengthen employee performance because employees have good relationships.

Andari (2021) Development of Disadvantaged Regions and Transmigration regarding the concept of Sustainable Development Goals (SDGs) and its mainstreaming in the context of village development to support the achievement of Sustainable Development Goals (TPB) in Indonesia which is narrated well, clearly and systematically. A change leader is considered a figure who has a vision and is able to adapt to rapid environmental changes (Buchanan et al., 2007).

Employees are the only living assets owned by a company or organization. Dewi G. K. (2020) states that employees are executors in carrying out their functions in every activity in the company and are an important and valuable source of wealth. Of course, to achieve employee performance that is in line with organizational expectations, the role of a leader is definitely needed. The results

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of research by (Indriyaningrum et al., 2021) prove that transformational leadership influences organizational citizenship behavior which is mediated by social capital.

Holten et al. (2020) in their research found that change leadership is an important factor in the organizational change process which has an impact on improving employee performance. Besides that, research findings from Surty & Scheepers (2020) show that leadership practices have a positive impact on employee responses. Where, this research reveals that a dynamic environment is a variable that can weaken or strengthen the influence of leadership variables on employee responses. Employee performance can be influenced by three factors, namely, individual, organizational and social environment (Ghavifekr, 2019). These findings prove that employee performance can be influenced by the organization. Ghavifekr (2019) has not studied other variables, such as social problems, which can influence employee performance. Therefore, in this research, the social capital variable is included as a mediating variable between change leadership and employee performance.

## II. LITERATURE REVIEW

### Change Leadership and Employee Performance

The important indicator for the success of an organization is that it relies on employees. Employees who will produce output for the organization. Burhannudin et al. (2019) stated that employee performance is the result of work obtained, through carrying out obligations imposed in accordance with their duties and authority, both obtained in terms of quantity and quality. Aslam (2021) also stated that performance is related to obtaining the results of an activity or policy to implement the company's vision and mission which are developed tactically in a company. This means that achieving the vision and mission needs to be described in various tactical activities carried out by all elements of the organization.

Mwesigwa et al. (2020) explained that the role of a leader is important in fostering psychological awareness of the organization. This means that a leader's touch must also be directed at the emotional side of the subordinates, so that the subordinates will feel proud to be part of the organization. Besides that, the presence of a psychological touch will make employees perform better. Employee performance is also defined by Paramita et al. (2020) that employee performance is something that company leaders must pay attention to, where performance is a set of results obtained from employee activities carried out over a certain period of time. According to Lestari et al. (2018), employee performance is the result of their work provided by employees in accordance with certain existing criteria and evaluated by certain people as well.

According to Lestari et al. (2018), employee performance is the result of their work provided by employees in accordance with certain existing criteria and evaluated by certain people as well. Leaders as power holders in the organization also have the responsibility to evaluate employee performance. Of course, currently, leaders not only have the responsibility to carry out evaluations, however, leaders must also be able to direct and motivate followers to perform better in the organization.

*Proposition 1: Change leadership has a positive impact on employee performance*

### Change Leadership and Social Capital

Competition between organizations is getting tougher, where the future will lead to collaboration to achieve bigger dreams. Putnam, (1993: 167) states that social capital is a norm and the network that exists in a community is considered an investment in social capital that can provide self-strength to its members cumulatively, so that it can become a social asset that can facilitate cooperation in the future. Potter (2001) stated that change leadership has the ability to develop a vision of the future, develop strategies, and mobilize energy to achieve organizational goals. Change leadership has comprehensive characteristics, where change leadership not only focuses on directing and motivating employees, but is also able to build good relationships with stakeholders, both internal and external to the organization.

Leadership in the organization must be the spearhead in achieving organizational sustainability. Wu et al. (2022) stated that leader behavior is one of the factors that can grow social capital because leader behavior can build good relationships with all parties. Akhtar et al. (2022) found that authentic leadership can influence social capital. This means that leaders have a responsibility to build good relationships with their environment. Having good relationships and being able to think for the future will generate trust from colleagues.

*Proposition 2: Change leadership has a positive impact on social capital*

### Social Capital and Employee Performance

Slamet (2016) defines social capital as a social network that has value or social contacts that are able to influence the productivity of individuals and their groups. This means that social capital can encourage someone to be more productive because they have social capital in the form of a good network and shared values. Slamet (2016) states that social capital is a social network that has value or social contacts that are able to influence the productivity of individuals and groups. The existence of social contact and interaction will make individuals connected to each other, so that this connection will improve the quality of their work because they support each other to achieve common goals. The factor that can improve employee performance is the existence of good

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quality relationships within the organization. King et al. (2018) stated that social capital is needed in organizations because social capital can improve employee performance and productivity.

Organizational policies need to be implemented maximally by paying attention to all existing elements. One important key is the existence of good relationships and sufficient social capital in the organization. Aslam (2021) also stated that performance is related to obtaining the results of an activity or policy to implement the company's vision and mission which are developed tactically in a company.

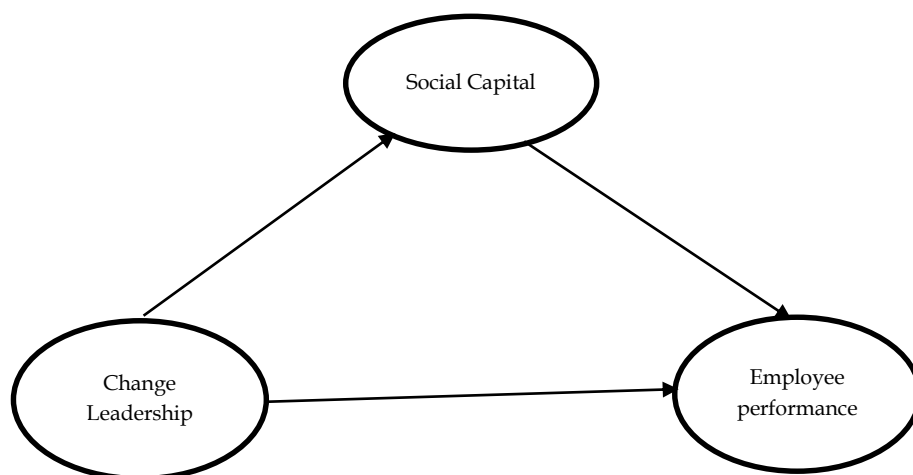
*Proposition 3: Social capital has a positive impact on employee performance*

### Change Leadership on Employee Performance: Social Capital as Mediating Variable

Change leadership was conveyed by Potter (2001), namely developing a vision for the future, developing a strategy to make the vision a reality and mobilizing the energy of all members of the organization to achieve the same goal. This approach is better known as emotional attunement. Gill (2002) also defines Change leadership as a leader's ability which includes cognitive or rational processes (cognitive intelligence), the need for meaning in work and people's lives (spiritual intelligence), emotions or feelings (emotional intelligence) and volitional actions or behavior (behavioral skills) in order to achieve organizational goals. Birasnav et al. (2022) stated that total quality leadership will influence organizational innovation through social capital. These findings prove that leadership will have an impact on social capital, which will then have an impact on organizational achievements. Of course, before it has an impact on organizational achievements, leadership will have an impact on individuals.

Leaders will provide a good environment, so that a relationship pattern will be created that leads to achieving shared goals. McCallum & O'Connell (2009) stated that leadership and social capital will have an impact on improving the quality of better relationships. Zoghbi-Manrique-de-Lara & Ruiz-Palomino (2019) who researched employees in hotels found that servant leadership can create social capital. This means that leadership can build an important strength that must be considered in order to create social capital. The existence of social capital will have an impact on a positive mental attitude, one of which is better performance.

*Proposition 4: Social capital mediates the effect of change leadership on employee performance*



**Figure 1: The Model of Research Design**

### III. DISCUSSION

Employees are an important element in an organization, because employees are an investment that must be looked after well. If employees are well cared for, they will perform better, which in the end will have a good impact on the organization. Burhannudin et al. (2019) stated that employee performance is the result of work obtained, through carrying out obligations imposed in accordance with their duties and authority, both obtained in terms of quantity and quality. Employee performance will be said to be good if they have carried out all responsibilities based on their job description. Therefore, it can be said that employee performance is a set of activities based on the job description which can be seen in terms of quality and quantity within a certain period.

Paramita et al. (2020) stated that employee performance is something that company leaders must pay attention to, where performance is a set of results obtained from employee activities carried out over a certain period of time. Haque et al. (2020) in their research found that leaders have quite a big responsibility in increasing employee morale. Leaders are role models for their subordinates who will serve as role models. Thus, the role of leaders is important to study in terms of its influence on improving employee performance.

Gill (2003) suggests that an integrative leadership model for successful change needs to follow the elements of effective leadership. Effective leadership is characterized by leadership that understands and is aware of the needs of the organization and employees. Leaders must have sensitivity to existing conditions, both institutionally and personally. Change leadership is a complete

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leadership style because it addresses cognitive, emotional, social and spiritual dimensions. Leadership for change in an organization is one of the media so that the organization continues to survive in an era full of uncertainty. Leaders must be visionary and able to mobilize all members of the organization so that they work more optimally for the organization.

According to Putnam (200:288), in understanding the social capital of individuals and society, you must first understand how this capital is processed. The trust and community participation that exist in reality can socially produce something that is desired. In general, social capital can also help to achieve a group or organizational goal, so that the existence of strong social capital will have positive implications for the organization. Social capital is a social network that has value or social contacts that can influence the productivity of individuals and groups. Social capital can be interpreted as the social power and networks possessed by a person. Where good networking and connectivity in social is absolutely necessary at this time. Social capital is the norms and networks that exist in a community which are considered as investments in social capital which can provide self-strength to its members cumulatively, so that it can become a social asset which can facilitate cooperation in the future (Putnam, 1993: 167).

### IV. CONCLUSION AND IMPLICATION

Based on the results of the discussion, it can be concluded that change leadership is an important factor in organizations in improving employee performance. Followers feel cared for because change leaders understand and are aware of the needs of their followers. Change leaders are also able to understand the needs and provide a positive view regarding the importance of changes occurring in the organization. The implications of the research show that organizations need to have leaders who are visionary by looking at the conditions of change that occur in the organization. Of course, leaders of change will understand the conditions of their followers which will form a new capital known as social capital.

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