

The Influence of Transformational Leadership on Employee Performance with Work Motivation as an Intervening Variable

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Abstract: This research aims to examine the effect of transformational leadership on employee performance with motivation as an intervening variable. This research was conducted on employees of PT. Satria Antaran Prima, Tbk. Operational Division. The population of this study was 150 employees of PT. Satria Antaran Prima, Tbk. Operational Division. The sampling technique used is saturated sampling, meaning that all members of the population are sampled. So the sample size is 150 employees. Data analysis in this research used Partial Least Square with the help of SmartPls software version 4. The research results showed that the R-square value for employee performance was 32.3%, while for motivation it was 43.1%. Transformational leadership in this research did not have a significant effect on employee performance, but had a significant effect on work motivation. Work motivation has a significant effect on employee performance. Apart from that, work motivation significantly mediates the influence of transformational leadership on employee performance.

Keywords: Transformational Leadership, Motivation, Employee Performance, Partial Least Square.

1. INTRODUCTION

The current globalization phenomenon has had a significant impact on the survival of organizations. Globalization causes rapid changes in business, which requires organizations to be more able to adapt to all changes that occur. To anticipate business situations like this, company leaders are required to have the ability to handle the complexity of competition, regulations and new rules that apply in the global market. For this, the leader needed by the company must be an effective leader, who can be relied on to face challenges, can take advantage of the flow of change and is able to bring the company to the goals that have been set.

Leadership is an important element in achieving, maintaining and improving organizational performance, so the conceptualization of leadership theories has also attracted attention and long discussions for researchers and practitioners. According to Utomo (2002), research on leadership places more emphasis on transformational leadership. The need that leaders and the organizations they lead must continue to make changes according to needs, so that they can compete in rapid economic changes is one of the assumptions underlying the development of transformational leadership. Transformational leadership is a leadership model for a leader who tends to motivate subordinates to work better and focuses on behavior to help transformation between individuals and the organization.

The leadership style displayed by a transformational leader is expected to increase subordinates' efforts to achieve optimal work results. This leadership style is one of the leadership styles that is beginning to be taken into account for its usefulness in dealing with organizational change. Leaders who have a transformational style are able to inspire others to see the future optimistically, project an ideal vision, and are able to communicate that this vision can be achieved.

Transformational leaders are better able and more sensitive to perceive their environment, and to subsequently form and disseminate strategic targets that are able to capture the attention and interest of their subordinates. This transformational leadership concept integrates ideas developed in character, style and contingency approaches. Transformational leaders can provide an example and be a role model for their employees, can encourage employees to behave creatively, innovatively and be able to solve problems with new approaches. Apart from that, transformational leaders also care about the problems faced by employees and always provide motivation to improve the performance of their employees.

Previously, there was research that discussed the influence of transformational leadership which has a positive correlation with employee performance. According to Baskoro (2019), transformational leadership, motivation and work discipline simultaneously influence employee performance. This was also conveyed by Tucunan et al., (2014) and Wahyuniardi & Nababan (2018), that there is a significant influence of transformational leadership on employee performance. Besides that, there are several studies which state that transformational leadership does not have a significant effect, according to Yuwono et al., (2020), transformational leadership does not have a significant effect on employee performance, likewise according to Yang et al., (2020), it was found that the interactive effect of transformational leadership and proactive personality is detrimental to task performance and contextual performance. Then this research was also carried out in China so it is possible that cultural differences also influenced this research and could be different if it was carried out in other countries. The results of this research became the basis for selecting topics regarding transformational leadership and how it affects employee performance. This research was conducted at PT. Satria Antaran Prima, Tbk Operational Division.

2. LITERATURE REVIEWS

2.1. Employee Performance

Performance is the result that has actually been achieved by an individual. Employee performance can be seen through the achievements given, abilities, skills, abilities and skills in carrying out their duties. An organization can be assessed well depending on employee performance, because employees are the main element in an organization. The goals of an organization are not optimal because the employee's performance is less than optimal (Wicaksono, 2019). According to Fadli & Hasanudin (2020) employee performance is the result of work achieved by a person in carrying out the duties assigned to him based on skill, experience and seriousness as well as time. Meanwhile, according to Wicaksono, (2019) states that performance is the result of work in terms of quality and quantity that can be achieved by an employee in carrying out tasks in accordance with the responsibilities that have been given.

Employee performance should be assessed. Performance appraisal is a process of assessing the work of personnel using performance assessment instruments by comparing them with standard standards. Through this assessment, it can be seen whether the job is in accordance with the previously determined job description or not. In general, performance appraisal aims to assess personnel capabilities and for personnel development.

Mangkunegara (2009) stated that the indicators of employee performance are quality, quantity, implementation of tasks, and responsibility. Work quality is how well an employee does what he is supposed to do. Every job has certain quality standards that employees must adapt to in order to work according to the provisions. Work quantity is how long an employee works in one day. Work quantity can be seen from the work speed of each employee. Task execution is the extent to which employees are able to carry out their work accurately or without errors. Employee responsibility for work is awareness of the employee's obligations to carry out the work assigned by the agency.

Several factors that influence employee performance include transformational leadership, motivation and work discipline. Baskoro's (2019) research results show that transformational leadership, motivation and work discipline simultaneously influence employee performance. Tucunan et al. (2014) also found that motivation has significant effect on employee performance.

2.2. Motivation

Motivation is an important thing that must be given to employees to raise their enthusiasm and passion for work. The following are the parts included in motivation. Moekijat (2010) stated that motivation is an understanding that contains all the driving forces, reasons or impulses within humans that cause humans to act. Furthermore, Hasibuan (2001) stated that work motivation is a condition or energy that moves employees who are directed or aimed at achieving the company's organizational goals. It is the employee's pro and positive mental attitude towards the work situation that strengthens their work motivation to achieve maximum performance.

Hasibuan (2012) groups the factors that influence motivation into two, namely: direct motivation and indirect motivation. Direct motivation is material and non-material motivation given directly to each individual employee to meet their needs and satisfaction. So, it has a special nature, such as praise,

awards, holiday allowances, bonuses and service stars. Indirect motivation is the motivation provided only in the form of facilities that support and support passion for work/smooth tasks so that employees feel at home and are enthusiastic about doing their work. For example, good machines, bright work space, working atmosphere, right placement. Indirect motivation has a big influence in stimulating employee enthusiasm to work so they are productive.

According to Deci & Ryan (2000), there are several indicators of work motivation related to basic needs in Independence Theory: autonomy, competence, and social relationship. Autonomy is the level of freedom that employees have in managing the way they work and completing their tasks. The level of employee involvement in decision-making processes that affect their work. Competence is the receipt of constructive and supportive feedback about an employee's performance, which helps strengthen a sense of competence. The opportunity to develop skills and expand their knowledge in their work. Social relationships are opportunities to interact and collaborate with colleagues to achieve common goals. Social support from superiors and co-workers, as well as leadership qualities that promote connection and togetherness in the workplace.

2.3. Transformational Leadership

Transformational leadership is a leadership approach that focuses on inspiration and positive change in an organization through the influence of a strong leader. According to Bass & Avolio (1994), transformational leadership is a leadership style in which the leader works to increase awareness of the importance of moral values and collective goals among his followers. Transformational leaders not only encourage followers to transcend their personal interests for the benefit of the organization, but also help them reach their full potential.

Bass (1985) identified four main components of transformational leadership, known as "The Four I's": Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration. Idealized Influence reflects a leader's ability to be a role model for followers, which creates respect and trust. Inspirational Motivation involves communicating an engaging and challenging vision, which motivates followers to work hard to achieve shared goals. Intellectual Stimulation means leaders encourage creativity and innovation by challenging existing assumptions and stimulating critical thinking. Individualized Consideration reflects the leader's attention to the individual needs of followers, providing appropriate guidance and support.

Transformational leadership theory also emphasizes the importance of the relationship between leaders and followers in creating meaningful change. According to Burns (1978), transformational leadership occurs when leaders and followers interact with each other to increase each other's motivation and morality, creating a mutually beneficial relationship. Burns stated that transformational leadership is more effective than transactional leadership, which only focuses on the exchange of benefits between leaders and followers. In this context, transformational leaders can inspire profound change in organizations by influencing the values and goals of their followers.

Furthermore, Yukl (2013) emphasized that transformational leadership is very relevant in the context of rapid and dynamic organizational change. He argues that transformational leaders are able to steer an organization through change by establishing a clear vision, creating commitment to the change, and motivating employees to overcome emerging challenges. In industries experiencing rapid change, such as logistics, transformational leadership can be a key factor in helping organizations stay competitive and adapt to changing market conditions.

Yang et al. (2020) show that transformational leadership and proactive employees together have a significant effect on employee performance through organizational engagement. Different with Yang et al. (2020), Yuwono et al. (2020) found that transformational leadership did not have a significant effect on employee performance, but transformational leadership had a positive and significant effect on readiness to change. The results of Wahyuniardi & Nababan (2018) show that transformational leadership has a significant effect on Job Satisfaction, Organizational Culture has a significant effect on Job Satisfaction, Transformational Leadership has no significant effect on Employee Performance.

2.4. Conceptual Framework

Based on the problems and theoretical studies, the conceptual framework of this research can be shown in Figure 1 below.

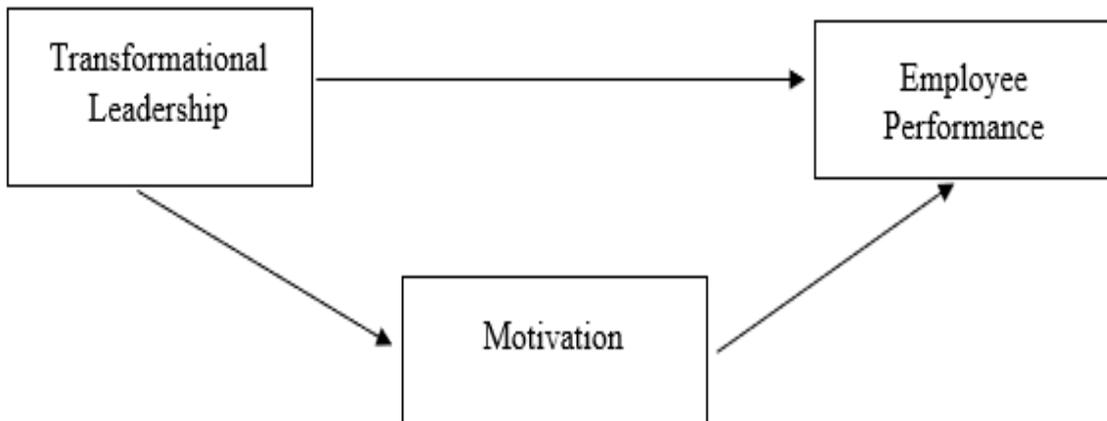


Figure1. *Conceptual Framework*

Based on the conceptual framework above, the hypotheses of this study can be developed as follow:

- H 1. Transformational leadership has a significant effect on employee performance
- H 2. Transformational leadership has a significant effect on motivation
- H 3. Motivation has a significant effect on employee performance
- H 4. Motivation mediates the effect of transformational leadership on employee performance

3. RESEARCH METHOD

This research uses quantitative methods, specifically causality study. The population of this research is all employees at PT. Satria Antaran Prima, Tbk., Operations Division with 150 employees. The sampling technique for this research is a saturated sample, that is, the entire population is sampled. So, the sample of this research is 150 employees. This study has three variables, namely: independent variable (transformational leadership), dependent variable (employee performance), and intervening variable (motivation).

Partial Least Square analysis in this research was carried out using SmartPLS software version 4. According to Becker et al. (2023) generally model evaluation in Partial Least Square analysis consists of evaluation of the measurement model (outer model) and evaluation of the structural model (inner model). The outer model is used to assess the validity and reliability of the model.

Validity tests are carried out to determine the ability of research instruments to measure what they are supposed to measure (Memon et al. 2021). Meanwhile, the inner model is used to predict causal relationships between latent variables. Through the bootstrapping process, T-statistic test parameters are obtained to predict the existence of a causal relationship. The structural model (inner model) was evaluated by looking at the percentage of variance explained by the R-square value for the dependent variable using the Stone-Geisser Q-square test (Dash and Paul 2021).

4. RESULTS AND DISCUSSIONS

4.1. Measurement Model Evaluation (Outer Model)

Evaluation of the research outer model was carried out by paying attention to four outer model measurement criteria, namely Convergent Validity, Discriminant Validity, Composite Reliability and Cronbach Alpha.

4.1.1. Convergent validity

To test convergent validity, the loading factor value is used. An indicator is declared to meet convergent validity in the good category if the outer loading value is > 0.7 . However, Wiyono (2011) states that a loading factor value of 0.50 to 0.60 is considered sufficient. Figure 2 below is the measurement model or outer model of this research.

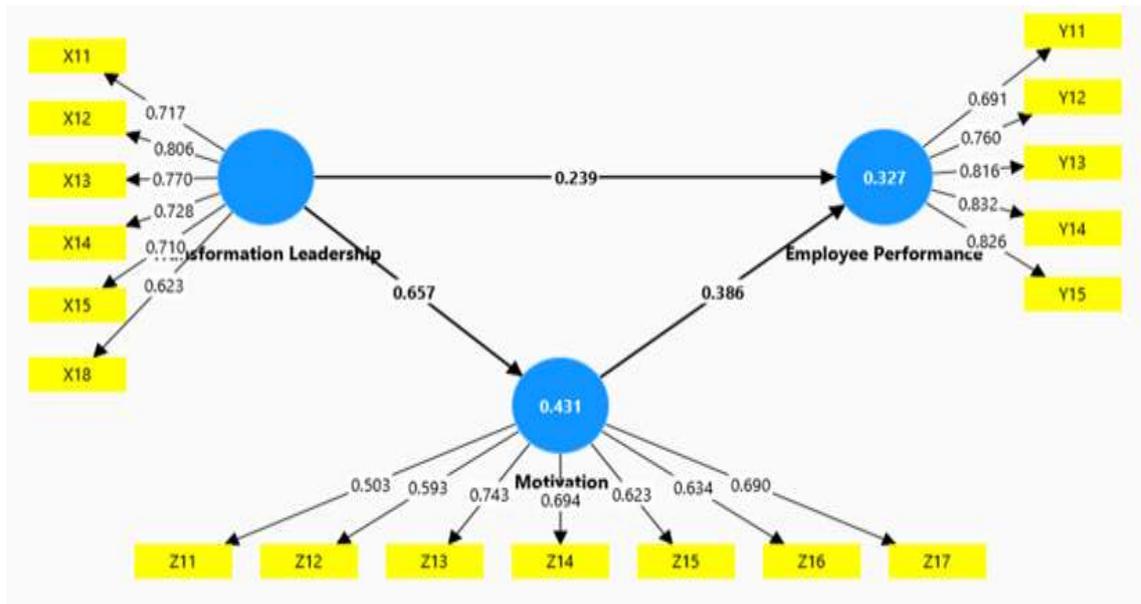


Figure 2. Result of outer loading

Based on the results of the outer loading measurements, it is known that the research indicators have met the criteria to be used as variable measurement indicators because they have an outer loading value greater than 0.5. Thus, all indicators are declared suitable or valid for use in research and can be used for further analysis.

4.1.2. Discriminant validity

Discriminant Validity is used to ensure that each concept of a latent variable/construct is different from other latent variables. The discriminant validity value is measured by looking at the square root of average variance extracted (AVE) value. The recommended value is above 0.5 (Memon et al. 2021). The results of the discriminant variability test from this research can be seen in table 1 below:

Table 1. Average Variance Extracted (Ave)

	Average Variance Extracted (AVE)
Employee Performance	0.619
Motivation	0.515
Transformation Leadership	0.530

Based on consideration of the AVE value of each variable, it can be concluded that all variables meet the Discriminant Validity value because they have an AVE value greater than 0.5. Thus, it can be stated that each variable has good discriminant validity.

4.1.3. Composite reliability

A construct is said to be reliable if the composite reliability value is above 0.70 (Tugiman et al., 2022). The following are the composite reliability results.

Table 2. Composite Reliability

	Composite Reliability
Employee Performance	0.890
Motivation	0.831
Transformational Leadership	0.870

Based on table 2, it shows that each variable has met composite reliability so it can be concluded that all variables have a high level of reliability.

4.1.4. Cronbach alpha

Reliability testing can also be done using the Cronbach alpha value. A variable can be declared reliable or meets Cronbach alpha if it has a Cronbach alpha value > 0.7 (Tugiman et al., 2022). The following are the Cronbach alpha values for each variable in this study.

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Table 3. Value of Cronbach Alpha

	Cronbach's Alpha
Employee Performance	0.845
Motivation	0.764
Transformation Leadership	0.820

Based on the data presented in table 3, it can be seen that the Cronbach alpha value for each research variable is > 0.7 . Thus, these results can show that each research variable has met the Cronbach alpha value requirements, so it can be concluded that all variables have a high level of reliability.

5. STRUCTURAL MODEL EVALUATION (INNER MODEL)

Assessing the inner model is evaluating the relationship between variables as hypothesized in this research. The results of the inner model evaluation can be explained as follows:

5.1. Determination Coefficient

The results of the analysis of the coefficient of determination from this research can be seen in table 4 below.

Table 4. Determination Coefficient

	R Square	R Square Adjusted
Employee Performance	0.327	0.313
Motivation	0.431	0.425

The results of table 4 above show that the R-Square value for the employee performance variable is 0.327 or 32.7%. This means that transformational leadership and motivation variables are able to influence employee performance by 32.7%, while the remaining 67.3% (100% - 32.7%) is influenced by other variables which are not discussed in this research. According to Furadantin (2018), this value is in the medium category or falls into the weak threshold (0.19 – 0.33). Furthermore, the R-Square value for the motivation variable is 0.431 or 43.1%. This means that the transformational leadership variable is able to influence motivation by 43.1%, while the remaining 56.9% (100% - 43.1%) is influenced by other variables not included in this research model. This value is included in the medium category.

5.2. Path Coefficient Test

Path coefficient evaluation is used to show how strong the effect or influence of the independent variable is on the dependent variable. Figure 3 below is the test result of the Path Coefficient.

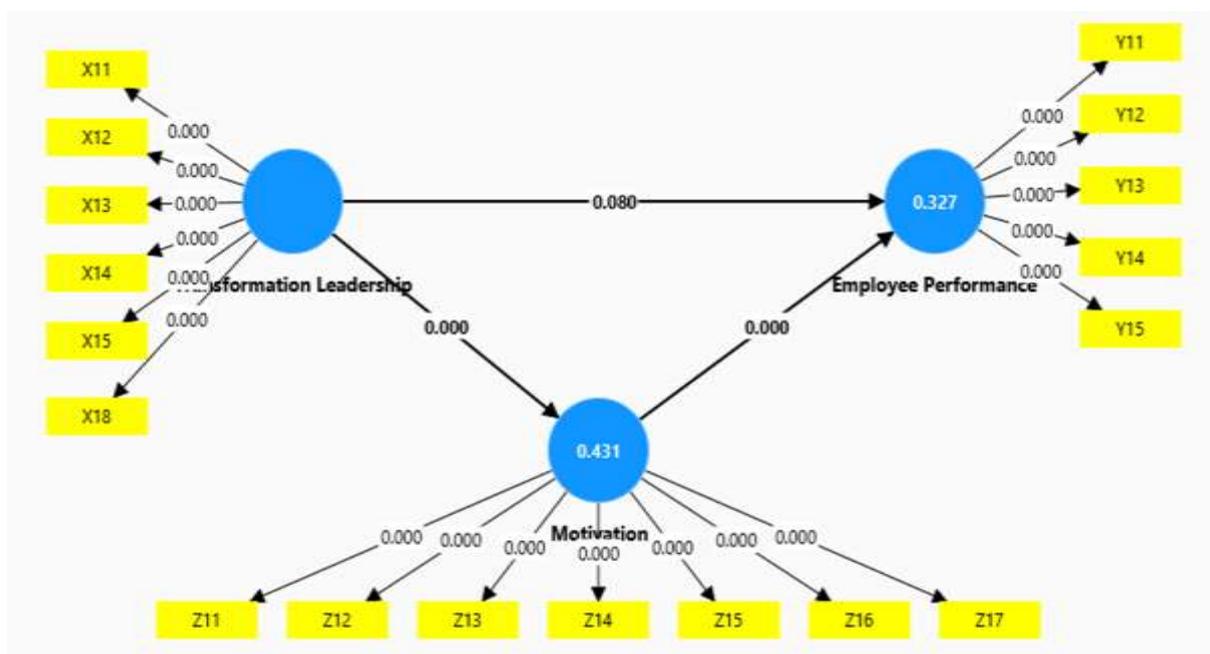


Figure 3. Result of Path Coefficient

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Based on the path coefficient above, it can be explained the direct and indirect effect of relationship between transformational leadership and employee performance. Table 5 below shows the direct effect of transformational leadership, motivation, and employee performance.

Table 5. *Direct effect*

	Original Sample (O)	P Values
Motivation -> Employee Performance	0.386	0.000
Transformation Leadership -> Employee Performance	0.239	0.080
Transformation Leadership -> Motivation	0.657	0.000

The results on the table 5 above show that the influence of transformational leadership on employee performance has an insignificant influence. The original sample value of 0.239 and P value of 0.080 shows a positive but not significant effect, because P value $0.080 > 0.05$. So, it can be concluded that there is a positive and insignificant influence of transformational leadership on employee performance. This means that the quality of leadership at PT. Satria Antaran Prima, Tbk, Operations Division has no impact on improving employee performance. The results of this study are in line with Fadilah et al. (2023) which states that the transformational leadership style does not have a significant effect on the performance of employees. However, the results of this research are not consistent with the results of research from Anoop & Lokman (2009) which states that transformational leadership is positively related to non-financial performance, which in turn influences the financial performance of the department/organization.

The results of hypothesis testing show that the influence of transformational leadership on motivation has a significant influence. The original sample value is 0.657 and the P value is 0.000, indicating a positive and significant influence, because the P value is $0.000 < 0.05$. So it can be concluded that there is a positive and significant influence of transformational leadership on motivation. In other words, the better the transformational leadership, the more employee motivation will increase. The implication of these results is that the leaders of PT. Satria Antaran Prima, Tbk.

The Operations Division is able to practice a transformational leadership style effectively and can increase the level of intrinsic motivation of employees. The leadership style most desired by employees is leadership that is able to provide motivation and inspiration for them to achieve goals that are greater than their own personal interests. Transformational leaders have a clear vision for the future and are able to communicate that vision to their employees in an engaging and inspiring way. able to build strong relationships with their employees and create a positive and supportive work environment. Leader of PT. Satria Antaran Prima, Tbk. able to build strong relationships with their employees and create a positive work environment and provide encouragement to employees. This finding is consistent with previous research conducted by Jensen & Bro (2018) and Minh-Duc & Huu-Lam (2019), which also stated that transformational leadership has a positive effect on employee intrinsic motivation.

The results of hypothesis testing show that the influence of motivation on employee performance has a significant influence. The original sample value of 0.386 and P value of 0.000 shows a positive and significant influence, because P value $0.000 < 0.05$. So it can be concluded that there is a positive and significant influence of motivation on employee performance. In other words, the better employee motivation, the more employee performance will improve. The results of this research indicate that motivation is an important factor that can improve employee performance. Motivation comes from within employees, which encourages them to do their work well because they like it and feel challenged to do it. When employees are motivated, they will be more enthusiastic and committed to their work, so they will be more likely to produce high performance. The results of this research are in line with research conducted by Camilleri (2021) which proves that there is a positive and very significant influence between motivation and performance. Motivation creates meaning, commitment and employee involvement, thereby creating better work performance (Nguyen et al., 2019). The implication of this research is the importance of attention and support from PT management. Satria Antaran Prima, Tbk to motivate employees. By understanding the factors that influence motivation, management can create a work environment that allows employees to feel involved, committed, and have meaning in their work.

Table 6 below shows the test results of the indirect influence of transformational leadership on employee performance through motivation.

Table 6. *Indirect Effect*

	Original Sample (O)	P Values
Transformational Leadership -> Motivation -> Employee Performance	0.253	0.001

The results of hypothesis testing show that the influence of transformational leadership on employee performance through motivation has a path coefficient value of 0.253 and a P value of 0.001. This shows that there is a significant influence of transformational leadership on employee performance through motivation. The results of this study indicate that motivation mediates the influence of transformational leadership on employee performance.

Transformational leadership in this research does not directly have a significant effect on employee performance, but through motivation transformational leadership has a significant effect on employee performance. This means that motivation acts as a full mediating variable in explaining the relationship between transformational leadership and employee performance. The results of this research are consistent with several research results and theories that there are several variables that can influence employee motivation, including transformational leadership. A study conducted by Xiaomeng & Kathryn (2010) stated that leadership that has power influences employee performance with motivation as a mediating variable. John & Gregory (2012), stated that leadership plays an important role in motivating employees, and employee motivation has an impact on employee performance.

6. CONCLUSION

This research aims to examine the influence of transformational leadership on the performance of PT employees. Satria Antaran Prima, Tbk, Operational Division with motivation as an intervening variable. Results of this study show that transformational leadership and motivation are able to influence employee performance by 32.7%, while transformational leadership is able to influence motivation by 43.1%. Transformational leadership in this research does not have a significant effect on employee performance, but does have a significant effect on motivation. Motivation has a significant effect on employee performance and is able to mediate the influence of transformational leadership on employee performance.

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Citation: Afrial Dinora, Nunung Nurastuti Utami. "The Influence of Transformational Leadership on Employee Performance with Work Motivation as an Intervening Variable". *International Journal of Managerial Studies and Research (IJMSR)*, vol 13, no. 7, 2025, pp. 8-16. DOI: <https://doi.org/10.20431/2349-0349.1307002>.

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