

The Influence of Transformational Leadership and Competence on Motivation and Its Impact on Employee Performance

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Abstract: In the era of globalization, optimizing human resources is critical for organizational success, particularly in public services like PDAM Tirta Jati Cirebon Regency, where leadership and competence gaps hinder performance. This study investigates how transformational leadership and competence affect employee performance, with motivation as a mediator, addressing inconsistencies in prior research. Using a quantitative associative approach, data from 72 employees were analyzed via PLS-SEM. Results reveal that transformational leadership significantly boosts both motivation and performance ($T = 6.778$, $p = 0.000$; $T = 3.722$, $p = 0.000$), while competence enhances motivation ($T = 3.072$, $p = 0.002$) but only indirectly impacts performance through motivation ($T = 2.536$, $p = 0.012$). Notably, motivation fully mediates the leadership-performance link, a finding that refines existing model. The study underscores the need for leadership development programs and competency-based training in public sector HR strategies, offering actionable insights to bridge theory-practice gaps in similar contexts.

Keywords: *Transformational Leadership, Competence, Motivation and Performance*

INTRODUCTION

In the era of globalization marked by fierce competition and technological transformation, organizations are required to manage their human resources both for the survival and progress of the organization, thus the success of the organization's operational processes is highly determined by the quality of the human resources they have (Jumady et al., 2021). To achieve goals, human resources need to be optimally planned and managed so that the organization can maintain performance and develop according to the progress of the times.

Management must be accurate, especially in recognizing and utilizing resources, to maintain the existence of the organization (Yusup & Maulani, 2023).

The improvement of human resources in an organization is determined by the commitment and efforts of the leader in improving the quality of his human resources. In an organization, leaders are the main driving engine of organizational activities, therefore every leader is obliged to give serious attention to fostering, mobilizing, and directing all potential employees in his environment (Jumatin et al., 2020).

In developing countries like India, public sector organizations face challenges in improving employee competencies to meet ever-evolving service expectations (Misra & Sharma, 2019). This highlights the importance of implementing the right HR development strategy to face the pressures of globalization and digital transformation.

In Indonesia, a case study on PT. Kereta Api Indonesia (KAI) shows that although the company has made many innovations, such as digitizing tickets and modernizing facilities, there are still internal problems in the form of low employee involvement in supporting the company's vision. This is due to a leadership style that has not fully encouraged employees to actively participate in strategic decision-making. As a result, the performance of individuals and teams becomes suboptimal, thus affecting the quality of services received by the community. Research (Hasana & Helmi, 2023) shows the challenges in the implementation of effective leadership and how motivational and discipline factors can affect performance in the work environment.

Low work motivation among employees hinders the achievement of organizational targets. Understanding each individual's basic motivations allows employees to grow (Puspita et al., 2022). This understanding is important for managers and leaders to direct, motivate, and maximize employees' potential. McClelland's motivation theory can be used to link employee leadership, competence, and performance, as motivation influences their behavior and attitudes in achieving the organization's vision and mission (Taufik et al., 2022).

The PDAM Tirta Jati Regional Drinking Water Company of Cirebon Regency is a Regionally Owned Enterprise (BUMD) engaged in the provision of clean water and is committed to improving services to the community. With 240 permanent employees, the company continues to optimize its work system and improve the performance and competence of its employees. In the operational process, there are various challenges faced, such as improving service quality, operational efficiency, and managing human resources to be more adaptive to the times. Based on internal data, there are still several aspects that can be improved, such as the effectiveness of human resource management and the response to customer complaints. Efforts to improve the quality of human resources and services are the main focus to maintain customer satisfaction and improve organizational professionalism.

It is known that PDAM Tirta Jati Cirebon Regency faces various challenges related to employee performance, motivation, leadership, and competence. Although there are already SOPs that regulate attendance, based on attendance data in 2024, there are still monthly delays with an average of 12 employees. As well as customer complaints regarding pipe leaks, slow response to complaints, water meter recording errors, and administrative recording errors in 1 year continue to increase, reaching more than 1,300 reports every year. Low work motivation is caused by a less effective leadership style and inhibits employees from actively participating in achieving organizational goals. In addition, employee competencies

also do not fully meet the demands of the job, thus hindering the resolution of customer problems quickly and efficiently. This gap creates obstacles in providing optimal services to the community. Therefore, efforts to overcome these challenges through the application of a more effective transformational leadership style and the development of employee competencies through appropriate training are needed to improve the performance and quality of public services.

Various studies show the influence of transformational leadership, competence, and motivation on employee performance. Research (Sigalingging & Azmy, 2023) and (Puspita et al., 2022) found that leadership had a significant effect on performance, but research (Herman, 2024) and (Lopes, 2023) stated otherwise. Competence has also been proven to have a positive effect (Ubaidillah et al., 2023) and (Selfiana, 2019), although different results were found by (R. Hidayat, 2021) and (Rizki Aulia et al., 2022). Similar work motivations, with research (Yulianty et al., 2021) and (Hayward, 2022) its influence, but contrary to (Wahyuni et al., 2023).

The limitations of previous research suggest the need for more in-depth studies to understand the complex relationship between transformational leadership, competence, motivation, and performance,

particularly in the context of public service. It is hoped that the results of this research will not only provide theoretical insights but also offer practical solutions to improve the quality of human resource management in the public service sector.

This study advances existing literature by specifically examining the mediating role of motivation in the relationship between transformational leadership, competence, and employee performance within PDAM Tirta Jati Cirebon Regency, a public service context often underrepresented in prior studies (Sigalingging & Azmy, 2023; Ubaidillah et al., 2023). Unlike previous research that focused on direct effects or isolated variables (Hidayat, 2021; Lopes, 2023), this study integrates PLS-SEM analysis to quantify mediation effects, revealing that transformational leadership's impact on performance is significantly amplified through motivation—a nuanced insight not fully explored in earlier works (Puspita et al., 2022; Yusup & Maulani, 2023). Additionally, it addresses contradictory findings (e.g., Herman, 2024; Rizki Aulia et al., 2022) by demonstrating that competence indirectly enhances performance via motivation, despite lacking direct significance, thus offering a more holistic framework for HR strategies in public sector settings.

MATERIALS AND METHODS

The method used in this study is a type of quantitative associative research. In this study, the population consists of all permanent employees of PDAM Tirta Jati Cirebon Regency, totaling 259. Employees are still chosen as research objects because

they have direct involvement in the company's operations, making it relevant to answer research questions. In this sampling, the researcher calculated the sampling of strata determined according to the sections/work units in the PDAM Tirta Jati Cirebon Regency. Sampling calculation

using proportionate stratified random sampling. The sample of this study amounted to 72 respondents calculated using the Slovin formula with a margin of error of 10%.

The data collection technique in this study uses a survey method with a questionnaire as the main tool. The survey was conducted by taking samples from the

population and collecting data directly from respondents. The questionnaire used consisted of some statements that measured research variables, namely Transformational Leadership (X1), Competency (X2), Motivation (Y), and Employee Performance (Z). Respondents were asked to rate the statements using a Likert scale consisting of five levels, namely:

Table 1. Scale Likert

Answer	Positive Statement Score	Negative Statement Score
Strongly agree	5	1
Agree	4	2
Simply Agree	3	3
Disagree	2	4
Strongly Disagree	1	5

The data analysis in this study was carried out using SmartPLS, with the Partial Least Square – Structural Equation Modeling (PLS-SEM) approach. This method is used to test the relationship between latent variables through R-Square (R^2), F-Square (f^2), and hypothesis testing using the bootstrapping method. This

research is expected to provide in-depth insights into the influence of transformational leadership styles and competencies on employee motivation and performance so that it can be the basis for strategic decision-making that supports the improvement of organizational performance.

RESULT AND DISCUSSION

Data analysis

Outer Model Evaluation

a. Composite Reliability Test

Composite reliability is used to measure the internal consistency of the indicators that make up the latent variables in a research model. Composite reliability is preferred over Cronbach's Alpha because it takes into account the load factor of each indicator, thus

providing a more accurate estimate of construct reliability. The high-reliability value of the composite indicates that the variable indicators have good internal consistency and are reliable in measuring a given construct. According to (Munch et al., 2017), good composite reliability is characterized by a value greater than 0.7. While a value above 0.9 indicates very high reliability.

Table 2. Composite Reliability

Composite Reliability

X1	0.876
X2	0.872
And	0.866
With	0.869

Based on the results of the calculations, the conclusions of the composite reliability test are as follows:

1. The Transformational Leadership variable (X1) is reliable because its composite reliability value is $0.876 > 0.7$.
2. The Competency variable (X2) is reliable because the composite reliability value is $0.872 > 0.7$.
3. The Motivation variable (Y) is reliable because the composite reliability value is $0.866 > 0.7$.
4. The Performance variable (Z) is reliable because the composite reliability value is $0.869 > 0.7$.

b. Discriminating Validity Test

Discriminant validity is a measure that ensures that each construct in a model is more closely related to its indicators than to other construct indicators. One way to test this is through cross-loading, where the load factor value of the indicator against the original construct must be greater than the loading of other constructs. If the discriminant validity is met, it indicates that the latent construct has better measurements in its block and does not mix with other constructs. Thus, each construct in the model remains unique and does not overlap with the other constructs. The following are the output results of the discriminant validity test using SmartPLS 3.0.

Table 3. Discriminating Validity (cross-loading)

	X1	X2	And	With
KTr1	0.926	0.768	0.888	0.787
KTr10	0.830	0.774	0.864	0.806
KTr2	0.787	0.713	0.852	0.750
KTr3	0.769	0.699	0.821	0.743
KTr4	0.818	0.786	0.878	0.776
KTr5	0.796	0.735	0.859	0.758
KTr6	0.741	0.694	0.791	0.704
KTr7	0.812	0.775	0.811	0.799
KTr8	0.775	0.808	0.816	0.767
KTr9	0.798	0.733	0.768	0.777
Ki1	0.751	0.817	0.850	0.780
Ki2	0.755	0.737	0.852	0.794
Ki3	0.789	0.766	0.891	0.821
Ki4	0.771	0.734	0.862	0.813
Ki5	0.781	0.868	0.865	0.805
Ki6	0.741	0.813	0.820	0.767

Ki7	0.790	0.873	0.881	0.796
Ki8	0.740	0.819	0.827	0.768
Ko1	0.747	0.805	0.727	0.750
Ko2	0.754	0.805	0.733	0.756
Ko3	0.819	0.804	0.805	0.727
Ko4	0.729	0.782	0.722	0.725
Ko5	0.738	0.763	0.746	0.725
Ko6	0.752	0.791	0.743	0.755
Ko7	0.731	0.820	0.730	0.742
Ko8	0.774	0.832	0.805	0.799
Mo1	0.774	0.854	0.782	0.767
Mo2	0.744	0.827	0.801	0.765
Mo3	0.761	0.835	0.795	0.755
Mo4	0.760	0.835	0.805	0.754
Mo5	0.783	0.854	0.830	0.804
Mo6	0.777	0.872	0.831	0.775

From the table presented, it can be seen that the loading factor value for each indicator of each latent variable tends to be higher than the load factor value of the indicator of other latent variables. For example, when compared, the value of the loading factor for:

- The KTr1 indicator has the highest loading on the X1 construct, indicating the discriminant validity is met.
- The Ki3 indicator has the highest loading on the Y construct, so the discriminant validity is met.
- The Ko2 indicator has the highest loading on the X2 construct, indicating the discriminant validity is met.

From the above results, it can be seen that most of the indicators have the highest loading compared to their original constructs. This shows that each indicator can better explain the latent variables measured compared to the other latent variables so that it can be said that the discriminant validity is fulfilled and valid.

In addition to using the loading factor value, the validity of the discriminant can also be evaluated using the Fornell-Larcker Criterion. In this method, the discriminant validity is met if the square root of the Average Variance Extracted (AVE) of each construct is greater than the correlation between that construct and the other construct. Discriminant validity is important to ensure that each construct measured in this study is completely different and unique so that it does not overlap with other constructs. Using the Fornell-Larcker criterion, we can ensure that the constructs used have good discriminant validity, which means that they accurately measure different concepts.

Based on the results of the analysis, the square root values of the AVE of each variable (X1, X2, Y, and Z) were higher than their correlation values against other constructs. This indicates that the latent variables in this study have good discriminant validity, which means that each construct measures phenomena that

are different from each other. The square root value of the AVE can be seen in the

Fornell-Larcker Criteria table as attached below.

Table 4. Discriminant Validity (Fornell-Larcker Criteria).

VARIABLE	X1	X2	And	With
X1	0.896			
X2	0.737	0.800		
And	0.755	0.733	0.807	
With	0.768	0.742	0.759	0.893

Based on the table above, it can be seen that the root value of the second power of AVE in the variables X1 (0.896), X2 (0.800), Y (0.807), and Z (0.893) is greater than the other variables, so based on the discussion, it can be concluded that all constructs in the model that have been estimated have a fairly good discriminant validity value.

c. Convergent Validity Test

To evaluate the outer model or measurement model, it is necessary to conduct an assessment of the construct validity test and the construct reliability test. In the construct validity test, the measurement uses convergent validity and discriminant validity.

Table 5. Convergent Validity

	X1	X2	And	With
KTr1	0.926			
KTr10	0.830			
KTr2	0.787			
KTr3	0.769			
KTr4	0.818			
KTr5	0.796			
KTr6	0.741			
KTr7	0.812			
KTr8	0.775			
KTr9	0.798			
Ki1				0.780
Ki2				0.794
Ki3				0.821
Ki4				0.813
Ki5				0.805
Ki6				0.767
Ki7				0.796
Ki8				0.768
Ko1		0.805		
Ko2		0.805		
Ko3		0.804		
Ko4		0.782		

Ko5	0.763
Ko6	0.791
Ko7	0.820
Ko8	0.832
Mo1	0.782
Mo2	0.801
Mo3	0.795
Mo4	0.805
Mo5	0.830
Mo6	0.831

Based on the results of data processing, it can be concluded that the value of outer loading meets the criteria of convergent validity and can be declared valid.

Structural Model Analysis (Inner Model Evaluation)

Structural model analysis is tested in two ways, namely looking at the R-square value to know how accurate the model's prediction is, and the f-square value to see how much influence the variables have.

1. R-Square

R-Square is a measure of the

proportion of the variation in the value of the affected variable (endogenous) that can be explained by the variable that affects it (exogenous). This is useful for predicting whether a model is good/bad (Juliandi, 2018). The R-Square criteria are:

- (1) if the value (adjusted) = 0.75 → the model is substantial (strong);
- (2) if the value (adjusted) = 0.50 → the model is moderate;
- (3) if the value (adjusted) = 0.25 → the model is weak (poor) (Juliandi, 2018).

Tabel 6. R Square

	R Square	Adjusted R Square
And	0.824	0.822
With	0.854	0.852

Based on the results of the analysis, the R^2 value for variable Y is 0.824, and R^2 for variable Z is 0.854. The value shows that the independent variable can explain 82.4% of the variability of Y and 85.4% of the variability of Z. According to Chin (1998), the value of R^2 above 0.67 is categorized as strong, so it can be concluded that this model has excellent predictive ability.

2. F-Square

F-square measurement or size effect is a metric used to evaluate how much influence independent variables have relative to dependent variables in a model. The size effect, also known as the change effect, refers to the change in the value of a dependent variable when a particular independent variable is omitted from the model. This is useful to assess whether the removed variable has a significant impact on the dependent variable (Juliandi, 2018).

F-Square criteria according to (Juliandi, 2018) are as follows: (1) If the value = 0.02 The effect of exogenous variables on endogenous is small;

(2) If the value = 0.15 The effect of exogenous variables on endogenous is moderate/moderate; and

(3) If the value = 0.35 The effect of exogenous variables on endogenous is large.

Table 7. F Square

	X1	X2	And	With
X1			0.714	0.392
X2			0.155	0.083
And				0.156
With				

The conclusion of the value of F-Square can be seen in the table above as follows:

X1 against Y = 0.714, which shows great effects.

X1 against Z = 0.392, which shows great effects.

X2 against Y = 0.155, which shows moderate effects.

X2 against Z = 0.083, which shows a small effect.

And against Z = 0.156, which shows moderate effects.

From these results, it can be concluded that X1 has a very large influence on Y and quite large on Z, while the influence of X2 on Y and Z is relatively small.

Hypothesis Testing

Hypothesis testing on Partial Least Square (PLS) can be done using the bootstrap method. In this bootstrap method, the value of the structural path coefficient can also be observed. Here are the results of testing using bootstrap:

- a. Testing the Direct Effect Hypothesis (Direct Effect)

In Partial Least Square (PLS) analysis, hypothesis testing can be performed using the bootstrapping method. This method also allows us to check the value of the structural path coefficient. The criteria for testing the direct influence hypothesis are as follows: First, on the path coefficient, (a) if the value is positive, this indicates a codirectional influence between the variable and other variables. In other words, if the value of the path coefficient is positive, then this indicates an influence of the same direction between one variable and another. If one variable increases, then the value of other variables also tends to increase; and (b) if the value is negative, it shows the influence of one variable on another; This means that if the value of one of the variables increases, then the value of the other variable will tend to decrease. Second, the importance of looking at probability or significance values (P-Values): (1) If the P-Values value < 0.05, then it is significant; (2) If the P-Values value > 0.05, it is not significant (Juliandi, 2018).

Table 8. Testing the Direct Effect Hypothesis (Direct Effect)

	T Statistical (O/STDEV)	P Values
X1 -> Y	6.778	0.000
X1 -> Z	3.722	0.000
X2 -> Y	3.072	0.002
X2 -> Z	1.679	0.094
Y -> Z	3.836	0.000

The path coefficients in the table above show that there are positive and negative path coefficient values (seen in the original example), including:

1. X1 has a significant effect on Y (T-Statistic = 6.778, P-Value = 0.000).
Since the P-value < 0.05, this relationship is significant. This means that the variable X1 has a strong impact on Y, so changes in X1 will have a significant effect on Y.
2. X1 has a significant effect on Z (T-Statistic = 3.722, P-Value = 0.000).
Since the P-value < 0.05, this relationship is also significant. This indicates that X1 has a considerable influence on Z, so the increase or decrease in the value of X1 will have an impact on Z.
3. X2 has a significant effect on Y (T-Statistic = 3.072, P-Value = 0.002).
Since the P-value < 0.05, this relationship is significant. This means that X2 is capable of significantly affecting Y, so a change in X2 will have an impact on the Y variable.
4. X2 has no significant effect on Z (T-Statistic = 1.679, P-Value = 0.094).
Since the p-value > 0.05, this relationship is not significant. In other words, X2 does not have a strong enough influence on Z, so changes to

X2 do not have a significant impact on Z.

5. Y has a significant effect on Z (T-Statistic = 3.836, P-Value = 0.000).
Since the P-value < 0.05, this relationship is significant. This indicates that Y has a strong relationship with Z, so changes in Y will have an impact on the Z variable.

Overall, these results show that X1 has a wider influence compared to X2, because X1 has a significant effect on Y and Z, while X2 only affects Y. In addition, Y also has a significant effect on Z, which shows the relationship between these variables.

b. Indirect Effect Testing

Indirect effect analysis is used to hypothesize the indirect influence of the influencing variable (exogenous) on the influencing variable (endogenous) mediating a mediator variable (intervening), with the following criteria:

- 1) If the P-value < 0.05, then it is significant. This means that the mediator variable mediates the influence of an exogenous variable on an endogenous variable. In other words, the effect is indirect.
- 2) If the P-value > 0.05, then it is insignificant. This means that the mediator variable does not mediate the influence of an exogenous variable on an endogenous variable. In other

words, it has a direct effect. (Juliandi, 2018).

The results of the analysis of the indirect influence between endogenous and exogenous variables can be seen in the table as follows:

Table 9. Indirect Effect Testing

	T Statistical (O/STDEV)	P Values
X1 -> Y -> Z	3.080	0.002
X2 -> Y -> Z	2.536	0.012

The results of the indirect influence analysis show that:

1. X1 has an indirect effect on Z through Y (T-Statistic = 3.080, P-Value = 0.002). Since the P-value < 0.05, this relationship is significant. That is, Y acts as a mediator in the relationship between X1 and Z. In other words, X1 can affect Z not only directly but also through Y as an intermediate variable.
2. X2 has an indirect effect on Z through Y (T-Statistic = 2.536, P-Value = 0.012). Since the P-value < 0.05, this relationship is also significant. This suggests that Y mediates the relationship between X2 and Z. Thus, although X2 does not have a significant direct influence on Z (as seen in direct effects testing), X2 can influence Z indirectly through Y.

DISCUSSION

The Influence of Transformational Leadership on Motivation

Transformational leadership is a leadership style that can inspire, build commitment, and increase employee morale. Transformational leaders have characteristics such as providing a clear vision, providing inspirational motivation, stimulating creativity, and paying attention to the individual needs of employees. With

leadership like this, employees will feel appreciated, supported, and confident in carrying out their duties.

The results showed that transformational leadership had a positive and significant influence on employee motivation (T = 6,778; P = 0.000). This means that the higher the implementation of transformational leadership in the organization, the higher the motivation of employees. This is in line with the research of Bass & Avolio (2004) (Insan, 2019), which states that transformational leaders can increase motivation through clear vision communication, emotional support, and the creation of an inspiring work environment.

These findings imply that organizations need to ensure that their leaders have good leadership skills to inspire and empower employees. Leadership training and transformational leadership development programs can help increase employee motivation and engagement within the organization.

The Influence of Competency on Motivation

Employee competencies include technical skills, knowledge, and work attitudes that allow them to carry out their duties well. Employees who feel they have

enough skills tend to be more confident at work, thus increasing their motivation. In addition, high competence allows employees to more easily complete tasks, avoid mistakes, and increase work efficiency, which ultimately has a positive impact on motivation.

The results showed that competence had a positive and significant influence on motivation ($T = 3,072$; $P = 0.002$). This means that the higher the level of competence possessed by employees, the higher their motivation to work. These results support the research of Edison et al. (2018), who stated that individuals with high competence are more likely to have greater motivation because they feel able to complete tasks effectively and gain recognition from the organization.

These results imply that organizations must actively develop employee competencies through training and skills development programs. By providing opportunities for employees to improve their competencies, organizations not only improve their work capabilities but also increase their morale and motivation.

The Influence of Transformational Leadership on Employee Performance

Transformational leadership not only impacts motivation but also has a direct influence on employee performance. Leaders who can provide clear direction, encourage innovation, and provide support to employees can help them achieve better work outcomes. In addition, effective leaders can also create a more positive and productive work environment, thereby increasing the effectiveness of teamwork.

The results showed that transformational leadership had a positive and significant influence on employee performance ($T = 3,722$; $P = 0.000$). This means that the better transformational leadership is implemented in the organization, the higher the performance achieved by employees. These results are in line with the research of Sigalingging & Azmy (2023), which found that transformational leadership plays a role in improving employee performance by creating a more innovative and collaborative work culture.

These findings imply that organizations need to place more emphasis on the development of transformational leadership at all levels of management. Leadership training and mentoring programs can assist leaders in developing the skills necessary to improve their team's performance.

The Influence of Competency on Employee Performance

High competence allows employees to complete their tasks better and faster. In theory, good competence should contribute to improved performance because employees who have enough skills and knowledge are more efficient at work.

However, the results of this study show that competence does not have a significant influence on performance ($T = 1,679$; $P = 0.094$). This means that, while competencies are important, these factors are not enough to improve performance in the absence of other elements such as motivation and effective leadership. These results contradict the research of Ubaidillah et al. (2023), which found that competence

has a significant effect on performance. One possible cause of this difference is that even if employees have good competencies, they may not have enough motivation or a supportive work system to apply their skills optimally.

These outcomes imply that organizations must not only improve employee competencies but also ensure that the skills possessed can be applied effectively in the job. This can be done by creating a more structured work system, providing appropriate challenges, and providing sufficient incentives for highly competent employees.

The Influence of Motivation on Employee Performance

Motivation is one of the main factors that determine an individual's performance at work. Highly motivated employees will be more focused, committed to their tasks, and have the drive to achieve better results. In addition, strong motivation is also related to job satisfaction, which contributes to increased productivity and work efficiency.

The results showed that motivation had a positive and significant influence on employee performance ($T = 3,836$; $P = 0.000$). This means that the higher the level of motivation of employees, the higher the performance they will show. This result is in line with McClelland's (1985) theory in (Mangkunegara, 2020:93), which states that highly motivated individuals are more likely to perform better because they have the drive to achieve goals and gain recognition.

These findings suggest that organizations need to create systems that can increase employee motivation, such as

providing incentives, recognition of work achievements, and creating a work environment that supports professional growth. By increasing employee motivation, organizations can significantly improve the performance of individuals as well as the team as a whole.

The Influence of Transformational Leadership on Performance with Motivation as a Mediating Variable

X1 has an indirect effect on Z through Y, with the value ($T = 3.080$; $P = 0.002$), which shows a significant relationship. This indicates that transformational leadership improves employee performance by first increasing their motivation. Leaders who can inspire, provide a clear vision, and create a positive work environment tend to increase employee motivation, which ultimately impacts their performance. Thus, transformational leadership plays an important role in driving employee motivation and productivity.

The Effect of Competency on Performance with Motivation as a Mediating Variable

X2 has an indirect effect on Z through Y, with values ($T = 2.536$; $P = 0.012$). This means that while competencies do not have a direct effect on performance, they can increase employee motivation, which ultimately has a positive impact on their performance. In other words, the higher the employee's competence, the greater their motivation to work better, so that performance increases.

CONCLUSION

This study highlights that transformational leadership significantly enhances employee motivation and performance more than competence alone, with motivation acting as a key mediator. To build on these findings, future research should explore additional variables like organizational culture, job satisfaction, work environment, and psychological well-being, while also adopting mixed-methods or longitudinal designs for deeper insights. Comparative studies across industries (e.g., public vs. private sectors) and examinations of digital leadership in remote work settings could further refine understanding. Additionally, intervention-based studies assessing HR strategies (e.g., rewards, mentorship, and training programs) would help organizations develop evidence-based policies to sustain performance and engagement.

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