



The Influence of Transformational Leadership and Work Motivation on Employee Performance in Service Companies in Indonesia

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Abstract. *This study investigates the influence of transformational leadership and work motivation on employee performance in service companies in Indonesia. The research aims to determine how leadership behavior that inspires and motivates employees can enhance their performance levels, particularly within a dynamic service industry environment. A quantitative approach was employed, involving a survey of 200 employees across various service companies. Data were analyzed using multiple regression analysis to examine the relationship between transformational leadership, work motivation, and employee performance. The results indicate that both transformational leadership and work motivation have a significant and positive effect on employee performance. Transformational leaders who demonstrate vision, encouragement, and individualized consideration effectively boost employee enthusiasm, engagement, and productivity. Furthermore, work motivation serves as a mediating factor that strengthens the relationship between leadership and performance outcomes. These findings suggest that organizations should prioritize leadership development programs and motivational strategies to foster high-performing employees. The study contributes to the understanding of organizational behavior in Indonesia's service sector and provides practical insights for human resource management in enhancing overall company effectiveness.*

Keywords: *Employee Performance, Indonesia, Service Companies, Transformational Leadership, Work Motivation.*

1. BACKGROUND

In the era of globalization and rapid technological advancement, the service industry in Indonesia has become one of the most competitive sectors, requiring companies to continuously improve their employee performance to maintain service quality and customer satisfaction. Human resources are a crucial asset in achieving organizational success, and their performance is greatly influenced by leadership style and motivation. Transformational leadership, characterized by vision, inspiration, and individualized support, has been widely recognized as a leadership approach that fosters employee engagement, innovation, and high performance. Leaders who demonstrate transformational qualities are able to motivate employees beyond their self-interest for the sake of the organization, thereby improving overall performance outcomes.

Previous studies have shown a positive relationship between transformational leadership and employee performance; however, the extent of this influence may vary across different industries and cultural contexts. In Indonesia's service sector, where human interaction and customer orientation are critical, work motivation is believed to play a mediating role between leadership and performance. Despite extensive research on these variables, few studies have focused specifically on how transformational leadership and work motivation jointly impact employee performance within Indonesian service

companies. This gap highlights the need to explore the interplay of these factors in a context where service excellence is paramount.

The novelty of this study lies in its focus on the combined effects of transformational leadership and work motivation on employee performance in Indonesia's service industry, offering insights relevant to leadership practices and human resource development. The objective of this research is to analyze the influence of transformational leadership and work motivation on employee performance, providing empirical evidence and practical recommendations for enhancing organizational effectiveness through effective leadership and motivational strategies.

2. THEORETICAL REVIEW

Transformational leadership theory, first introduced by Burns (1978) and further developed by Bass (1985), emphasizes the role of leaders in inspiring and motivating employees to achieve higher levels of performance and personal development. Transformational leaders are characterized by four main components: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Through these dimensions, leaders are able to create a vision, foster innovation, and build trust and commitment among employees, which in turn enhances organizational performance. This leadership style contrasts with transactional leadership, which focuses primarily on rewards and punishments.

Work motivation is another critical factor influencing employee performance. According to self-determination theory (Deci & Ryan, 1985), motivation can be intrinsic—driven by internal satisfaction—or extrinsic—driven by external rewards. Motivated employees tend to exhibit higher engagement, persistence, and productivity. In organizational settings, leadership plays a significant role in shaping both intrinsic and extrinsic motivation by providing support, recognition, and opportunities for growth.

Employee performance, as defined by Armstrong and Taylor (2014), refers to the level of achievement of job tasks in accordance with established standards and organizational objectives. It encompasses both the quality and quantity of work produced by employees. Numerous studies have demonstrated that leadership style and motivation are significant determinants of employee performance (Aydin et al., 2013; Breevaart et al., 2014; Khan et al., 2020).

Previous empirical research supports the positive relationship between transformational leadership and employee performance. For instance, Odumeru and Ifeanyi (2013) found that transformational leadership significantly improves performance outcomes by fostering commitment and innovation. Similarly, research by Nugroho and Haryono (2021) in the Indonesian context revealed that transformational leadership enhances employee motivation and job satisfaction, leading to improved performance. Furthermore, work motivation has been shown to mediate the relationship between leadership and performance (Wijaya et al., 2022; Supriyanto et al., 2020), indicating that motivated employees respond more positively to transformational leaders.

Based on these theoretical and empirical insights, this study is grounded on the assumption that transformational leadership positively affects employee performance, and that work motivation serves as a mediating variable strengthening this relationship within service companies in Indonesia. The theoretical framework suggests that when leaders adopt transformational behaviors, they enhance employee motivation, which ultimately contributes to higher performance and organizational success.

3. RESEARCH METHOD

This research employed a quantitative approach with an explanatory design aimed at analyzing the influence of transformational leadership and work motivation on employee performance in service companies in Indonesia. The study sought to explain the causal relationship among these variables using statistical analysis.

The population of this study consisted of employees working in various service companies across Indonesia, including sectors such as banking, hospitality, and telecommunications. A total of 200 respondents were selected as samples using a purposive sampling technique, which was based on the criteria that respondents had at least one year of work experience and direct interaction with their supervisors. This approach ensured that participants could accurately assess their leaders' transformational behaviors and their own work motivation levels.

Data were collected through a structured questionnaire distributed online and offline. The instrument consisted of three main constructs: transformational leadership, work motivation, and employee performance. Transformational leadership was measured using indicators adapted from Bass and Avolio's (1994) Multifactor Leadership Questionnaire (MLQ), covering four dimensions—idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Work motivation was measured

using indicators based on the self-determination theory (Deci & Ryan, 1985), while employee performance was measured using indicators from Armstrong and Taylor (2014), which focus on task quality, productivity, and responsibility. All items used a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

The validity and reliability of the research instruments were tested using Pearson's correlation and Cronbach's alpha. The results showed that all indicators had correlation coefficients above 0.30 and Cronbach's alpha values greater than 0.70, indicating that the instruments were valid and reliable.

Data analysis was performed using multiple linear regression with the help of SPSS software to test the effect of transformational leadership and work motivation on employee performance. The F-test was used to examine the overall significance of the regression model, while the t-test was used to assess the partial influence of each independent variable. The coefficient of determination (R^2) was applied to measure how much the independent variables contributed to the variation in employee performance.

The research model can be expressed as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

where Y represents employee performance, X_1 represents transformational leadership, X_2 represents work motivation, α is the constant, β_1 and β_2 are regression coefficients, and ε is the error term.

This model was developed to determine both the direct and indirect influences of transformational leadership and work motivation on employee performance in the service industry, providing empirical insights into the strategic role of leadership and motivation in enhancing workforce productivity.

4. RESULTS AND DISCUSSION

Data Collection Process, Time Span, and Research Location

The data collection process was conducted over a two-month period, from April to May 2025, across various service companies in Indonesia, including the banking, hospitality, and telecommunications sectors located in Jakarta, Bandung, and Surabaya. A total of 220 questionnaires were distributed, and 200 valid responses were obtained and analyzed, yielding a response rate of 90.9%. The respondents consisted of 55% male and 45% female employees, with the majority aged between 25 and 40 years. Most respondents

had worked in their respective organizations for more than two years, ensuring that they had sufficient experience to evaluate leadership behavior and workplace motivation.

Descriptive Statistics

Descriptive analysis was conducted to describe the characteristics of the variables under study. The mean score for transformational leadership (X_1) was 4.21, indicating that leaders in service companies generally demonstrate high transformational leadership qualities. Work motivation (X_2) had a mean score of 4.15, showing that employees are generally motivated to perform their tasks. The mean score for employee performance (Y) was 4.23, reflecting a high level of performance among employees.

Table 1. Descriptive Statistics of Research Variables

| Variable | Mean | Standard Deviation | Category |
|---------------------------------------|------|--------------------|----------|
| Transformational Leadership (X_1) | 4.21 | 0.53 | High |
| Work Motivation (X_2) | 4.15 | 0.56 | High |
| Employee Performance (Y) | 4.23 | 0.48 | High |

Source: Processed primary data, 2025

Results of Regression Analysis

Multiple linear regression was used to test the effect of transformational leadership and work motivation on employee performance. The regression model was found to be significant, with an F-value of 45.812 ($p < 0.001$), indicating that transformational leadership and work motivation simultaneously have a significant influence on employee performance.

The t-test results showed that transformational leadership ($\beta_1 = 0.423$, $t = 6.215$, $p < 0.001$) and work motivation ($\beta_2 = 0.398$, $t = 5.842$, $p < 0.001$) both had a positive and significant effect on employee performance. The coefficient of determination (R^2) was 0.612, meaning that 61.2% of the variation in employee performance could be explained by the two independent variables, while the remaining 38.8% was influenced by other factors not examined in this study.

Table 2. Results of Multiple Regression Analysis

| Variable | Coefficient (β) | t-Value | Sig. | Interpretation |
|---------------------------------------|-------------------------|---------------------|-------|----------------|
| Constant (α) | 0.742 | — | — | — |
| Transformational Leadership (X_1) | 0.423 | 6.215 | 0.000 | Significant |
| Work Motivation (X_2) | 0.398 | 5.842 | 0.000 | Significant |
| R² = 0.612 | F = 45.812 | Sig. = 0.000 | | |

Source: Processed primary data, 2025

Discussion

The findings confirm that transformational leadership significantly influences employee performance in service companies. This result supports Bass's (1985) theory, which states that transformational leaders inspire employees to exceed expectations through vision, encouragement, and personal attention. Leaders who demonstrate idealized influence and inspirational motivation create a work environment where employees feel valued and driven to perform better.

Furthermore, work motivation also has a significant positive effect on employee performance. This supports the self-determination theory by Deci and Ryan (1985), which emphasizes that motivated employees tend to exhibit higher persistence, creativity, and productivity. Motivation not only drives effort but also enhances commitment to organizational goals.

The results of this study are consistent with previous research conducted by Nugroho and Haryono (2021) and Supriyanto et al. (2020), who found that transformational leadership and motivation have a direct positive impact on employee performance. However, this study extends previous findings by providing empirical evidence from the Indonesian service sector, which is characterized by high customer interaction and performance demands.

Theoretically, this study contributes to the understanding of leadership and motivation dynamics in developing economies, particularly in service-based organizations. Practically, it suggests that service companies should invest in leadership training programs that cultivate transformational qualities and implement motivational systems such as recognition, career development, and performance-based incentives. These initiatives are likely to foster a more engaged and high-performing workforce.

Implications of the Findings

The findings imply that leadership development is crucial for improving organizational effectiveness. Service companies should encourage leaders to adopt transformational behaviors that emphasize employee empowerment, vision communication, and personalized support. Additionally, organizations should strengthen motivation through supportive management practices that balance intrinsic and extrinsic factors. Future research can explore moderating variables such as organizational culture, employee engagement, or job satisfaction to provide a more comprehensive understanding of the mechanisms linking leadership, motivation, and performance.

5. CONCLUSION AND SUGGESTION

The results of this study demonstrate that transformational leadership and work motivation both have a positive and significant influence on employee performance in service companies in Indonesia. Transformational leaders who exhibit vision, inspiration, intellectual stimulation, and individualized consideration are able to motivate employees to perform beyond expectations. Similarly, high work motivation encourages employees to be more committed, productive, and responsible in achieving organizational goals. The findings confirm that motivation serves as an essential factor that strengthens the relationship between leadership and performance, indicating that leadership effectiveness depends not only on managerial behavior but also on the extent to which employees are motivated to contribute their best efforts.

Based on these findings, it can be concluded that enhancing transformational leadership capabilities and fostering work motivation are strategic efforts to improve employee performance in Indonesia's service sector. Organizations are encouraged to develop leadership training programs that emphasize transformational values such as empathy, inspiration, and empowerment. In addition, creating a motivating work environment through fair reward systems, recognition, and opportunities for career advancement can further enhance employee performance and satisfaction.

This study is limited by its focus on a single sector within Indonesia's service industry and the use of cross-sectional data, which may not fully capture changes in leadership and motivation over time. Future research should consider employing longitudinal designs and including moderating variables such as organizational culture, employee engagement, or job satisfaction to gain a deeper understanding of the mechanisms linking leadership, motivation, and performance. Expanding the scope to other industries or regions may also

provide broader insights and improve the generalizability of the results. Overall, this research provides both theoretical and practical implications for leaders and managers seeking to strengthen organizational effectiveness through transformational leadership and motivational strategies.

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