

The Role of Motivation in Mediating the Influence of Transformational Leadership on Employee Performance in the Agency Finance and Regional Assets of North Sumatra Province

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Abstract

This study aims to analyze the influence of transformational leadership on employee performance with work motivation as an intervening variable in the Regional Finance and Assets Agency of North Sumatra Province. The research method used is a quantitative approach with data collection techniques through the distribution of questionnaires to employees. The number of samples was determined by the purposive sampling technique with a sample number of 80 respondents. Data analysis was carried out using a path analysis model to see the direct and indirect influence between variables. The results of the study show that transformational leadership has a positive and significant effect on employee work motivation. Furthermore, work motivation has a positive and significant effect on employee performance. In addition, transformational leadership has a positive and significant effect directly on employee performance. These findings indicate that work motivation is able to mediate the influence of transformational leadership on employee performance. This research is expected to contribute to the management in formulating strategies to improve employee performance through strengthening transformational leadership and increasing work motivation.

Keywords: Transformational Leadership, Work Motivation, Employee Performance

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Introduction

In the face of increasingly complex dynamics of changes in the work environment, government agencies are required to have high-performance apparatus. One of the important factors that plays a role in improving employee performance is transformational leadership. According to Bass & Riggio (2019), transformational leadership is leadership that is able to inspire, motivate, and encourage employees to work beyond personal interests to achieve organizational goals.

Transformational leadership has four main dimensions, namely idealistic influence, inspirational motivation, intellectual stimulation, and individual consideration (Bass & Riggio, 2019). Transformational leaders are expected to be able to build a clear vision, set an example, and support employee development so that they are motivated to contribute optimally.

According to Robbins & Judge (2022), employee performance is the result of work achieved by employees in carrying out their duties according to the responsibilities given. Employee performance is influenced by various internal and external factors, one of which is work motivation. Siagian (2020) argues that motivation is the encouragement from within an individual to do the best job possible. Highly motivated employees tend to work with responsibility, discipline, and loyalty.

Relevant motivation theory is explained through Herzberg's Two-Factor Motivation Theory, which distinguishes motivating factors (achievement, recognition, responsibility) and hygiene factors (working conditions, salary, employment relationships) that affect employee job satisfaction (Herzberg, 2020). In the context of transformational leadership, employee motivation has the potential to be a mediating variable that links the influence of leadership to performance.

Previous research also supports this. Putra & Utami (2021) found that transformational leadership has a significant effect on employee performance, both directly and through work motivation as a mediating variable. Research by Sari & Nugroho (2022) shows that work motivation can strengthen the influence of transformational leadership on improving employee performance in government agencies. Research by Wijaya & Rahman (2023) also proves that motivation has an important role as a mediator in the relationship between transformational leadership and the performance of the state's civil apparatus.

In the context of the North Sumatra Provincial Regional Finance and Assets Agency, preliminary observations show that even though leaders have implemented transformational leadership principles, there are still employees who show low work motivation, such as tardiness, lack of initiative, and lack of innovation in completing tasks. This condition is feared to have an impact on the achievement of overall organizational performance.

Thus, research on the role of motivation in mediating the influence of transformational leadership on employee performance is relevant and important. This research is expected to make an empirical contribution to the development of transformational leadership theory and work motivation in the public sector, as well as become a practical consideration for agency leaders in formulating strategies to increase employee work motivation to support optimal performance.

Literature Review

Employee Performance

Definition of Employee Performance

According to Mangkunegara (2017) "employee performance (work achievement) is the result of work in terms of quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him".

Employee Performance Indicators

According to Mangkunegara (2017), employee performance indicators include:

1. **Quality of Work**
Quality of work measures how well an employee does what is supposed to be done, including thoroughness, neatness, and accuracy in working according to set standards.
2. **Working Quantity**
Quantity of work measures how much work an employee produces in a given time, which can be seen from the speed at which each employee works.
3. **Task Execution**
Task execution measures how accurate an employee is in performing his or her duties and free from errors.
4. **Responsibility**
Responsibility refers to the awareness of the obligation to carry out the work properly and in accordance with the responsibilities given.

Motivation

Definition of Motivation

Work motivation is an internal or external drive that causes a person to work in a certain way, with the aim of achieving the desired results and achieving personal satisfaction as well as contribution to the goals of the organization. Work motivation is essential in improving individual performance because it can affect employee engagement, productivity, and commitment to the organization.

According to Robbins and Judge (2017), work motivation is a process that initiates, directs, and maintains behavior in achieving goals. This motivation plays a role in determining how much effort an individual puts into achieving the goal.

Motivation Indicators

Motivation Indicators according to Robbins and Judge (2017)

- 1) **Intensity of Effort**
It refers to how hard an employee strives to achieve a pre-set goal. Motivated employees will work harder and give maximum effort in carrying out their duties.
- 2) **Business Direction**
The direction of the business is related to the focus of the business carried out by the employee. Motivated employees will ensure their efforts are directed towards achieving organizational goals, not just individual work.

3) Perseverance

Perseverance is an indicator that describes how an employee persists in striving to complete a task despite facing obstacles or challenges. Motivated employees don't give up easily when they encounter difficulties in their work.

4) Job Satisfaction

Job satisfaction reflects whether employees are satisfied with the work they do, whether in terms of salary, awards, employment relationships, and self-development opportunities. This satisfaction is the main indicator of work motivation.

5) Engagement in Work

Motivated employees tend to be more engaged in their work, show high interest, take initiative, and are committed to achieving organizational goals.

6) The Desire to Achieve Goals

Employees who have high work motivation will strive to achieve the goals that have been set in the organization. They are more oriented towards achieving results and improving performance to obtain the best results.

Transformational Leadership

Definition of Transformational Leadership

Transformational leadership is a leadership approach that focuses on creating positive change in the organization and developing human resources through inspiration, motivation, and employee empowerment. Transformational leaders seek to increase subordinate awareness of the importance of their work, as well as motivate them to work beyond personal interests for the sake of the organization.

According to Northouse (2021), transformational leadership is a process that transforms and transforms individuals by creating relationships that trust, inspire, and motivate to achieve common goals.

Transformational Leadership Indicators

According to Northouse (2021), transformational leadership indicators consist of four main components which include:

1) Idealized Influence (Pengaruh Ideal)

Leaders act as role models for their followers, exhibit ethical and respectful behavior, and earn the trust and respect of their subordinates. Leaders show ideal influence, creating a sense of pride and trust in the team.

2) Inspirational Motivation (Motivasi Inspirasional)

Leaders are able to inspire and motivate their followers through a clear vision, evocative goals, and a passion to achieve success together. They arouse the spirit of followers with evocative and optimistic speech.

3) Intellectual Stimulation (Stimulasi Intelektual)

Leaders encourage followers to think creatively and not be tied to old ways. They challenge conventional ideas and encourage innovation to solve problems in a more effective way. Leaders like this value new ideas and open up opportunities for team members to grow.

4) Individualized Consideration

Leaders show concern for the needs of the individual and the personal development of their followers. They provide personalized support, direction, and feedback, as well as mentor or coach team members. Leaders who have individual considerations are able to foster close relationships and pay attention to the well-being of each individual in the team.

Conceptual Framework

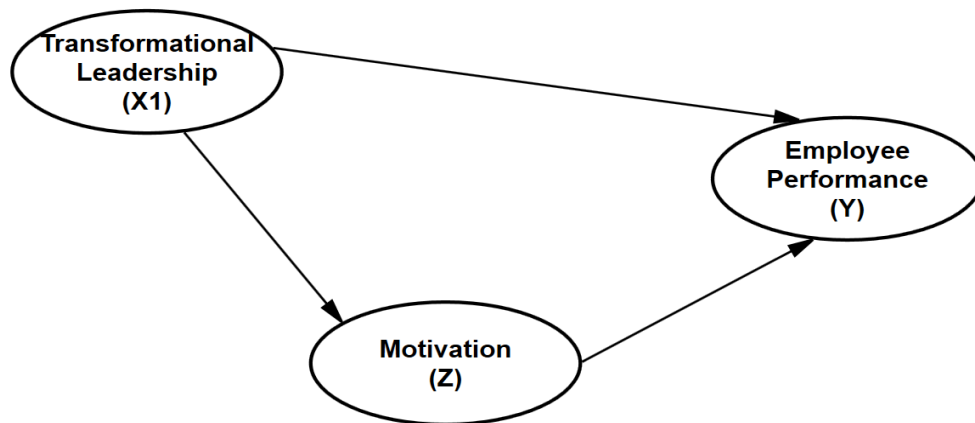


Figure 1. Conceptual Framework

Research Hypothesis

- H1: Transformational leadership has a positive and significant effect on employee performance at the Regional Finance and Assets Agency of North Sumatra Province.
- H2: Transformational leadership has a positive and significant effect on work motivation at the Regional Finance and Assets Agency of North Sumatra Province.
- H3: Work motivation has a positive and significant effect on the performance of employees at the Regional Finance and Assets Agency of North Sumatra Province.
- H4: Transformational leadership has a positive and significant effect on employee performance through work motivation at the Regional Finance and Assets Agency of North Sumatra Province.

Methods

Types of Research

The type of research that the researcher uses is quantitative research. This type of quantitative research was conducted to make a study that aims to adjust a research and to analyze transformational leadership and communication on employee performance with work motivation as an intervening variable in the Regional Finance and Assets Agency of North Sumatra Province.

Research Location and Research Time

The location of the research was conducted at the Regional Finance and Assets Agency of North Sumatra Province, which is located on Jl. Imam Bonjol No. 61, Suka Damai, Medan 20142. The research period was carried out for 3 months, from April to June 2025.

Population and Sample

The population and sample in this study are all permanent employees at the Regional Finance and Assets Agency of North Sumatra Province. The number of employees at the office of the Regional Finance and Assets Agency of North Sumatra Province is 135 employees, with details: 80 ASN and 55 people as honorary employees. In this study, the sample was taken only from 80 ASN employees.

Research Data Sources

The data source used in this study is primary data.

Result and Discussion

Outer Model *Analysis*

The *Outer Model* analysis using the *PLS Algorithm* yielded:

Validity Test

Table 1. Value of Outer Loadings

	Employee Performance	Motivation	Transformational Leadership
X1.1			0,860
X1.2			0,887
X1.3			0,902
X1.4			0,845
Y.1	0,864		
Y.2	0,935		
Y.3	0,937		
Y.4	0,862		
Z.1		0,811	
Z.2		0,895	
Z.3		0,855	
Z.4		0,837	
Z.5		0,909	
Z.6		0,866	

Source: PLS Smart Output, 2025

Based on the values in Table 1 above, showing the results of the outer model test through the loading factor / outer loadings value, all indicators in each variable have a loading value ≥ 0.70 . This shows that each indicator is able to represent a measured construct validly and robustly. Therefore, it can be concluded that all items in the questionnaire have met the criteria of convergent validity and can be used in subsequent analysis. For more details on the above value, you can also see the following figure.

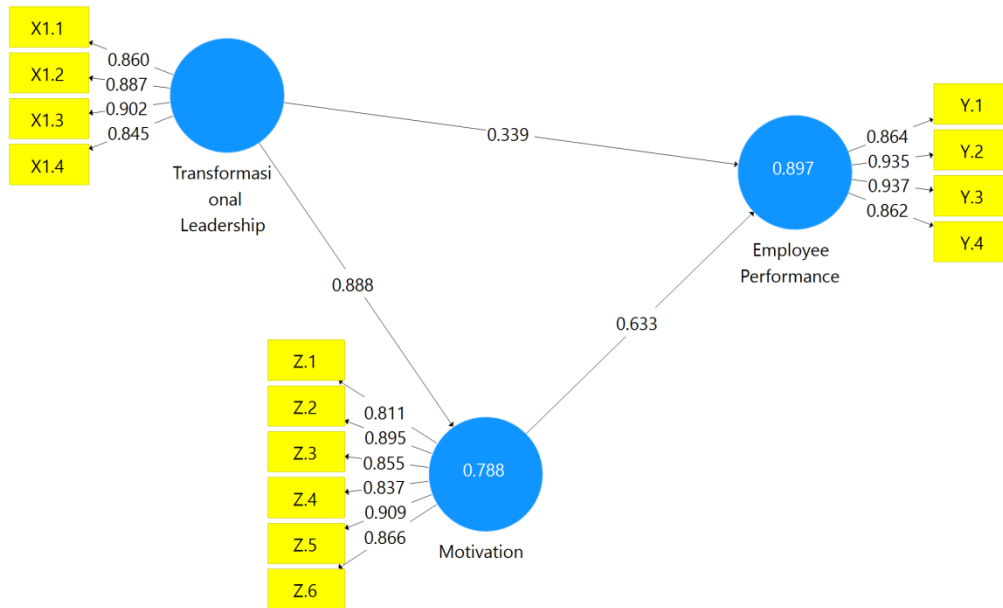


Figure 1. Outer Loudings

Reliability Test

Table 2. Construct Reliability and Validity Test

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Employee Performance	0,921	0,924	0,945	0,810
Motivation	0,931	0,933	0,946	0,744
Transformational Leadership	0,897	0,901	0,928	0,764

Source: PLS Smart Output, 2025

From Table 2 above, the reliability test results show that Cronbach's Alpha and Composite Reliability values on all constructs have values above 0.70. This shows that all indicators have high internal consistency and are reliable in measuring their respective constructs. Thus, the research instrument is declared reliable and feasible for use in structural model testing.

Coefficient of Determination (R²)

In assessing a model with PLS it starts by looking at the R-square for each dependent latent variable. The table below is the result of Rsquare estimation using SmartPLS.

Table 3. R Square Results

	R Square	R Square Adjusted
Employee Performance	0,897	0,894
Motivation	0,788	0,786

Source: Smart PLS, 2025

In table 3, there is an R square value in both dependent variables for the work motivation variable, there is an R square value of 0.895, meaning that the influence of transformational leadership is 0.897 or 89.7%, the rest is in other variables outside the model. The R square value of employee performance is 0.788, meaning that the influence of leadership and work motivation is 0.788 or 78.8%, the rest is on other variables outside the model.

Structural Model Testing (Inner Model)

Internal testing of the model or structural model is carried out to see the relationship between the construct, significance value and R-square of the research model. Structural models are evaluated using R-square for dependent constructs

Hypothesis Testing

Direct Influence Between Variables

The direct influence between variables can be seen in the value of *path coefficients*. The results of the data processing show the value of direct influence can be seen in the following table.

Table 4. Path Coefficients (Direct Influence)

	Original Sample	T Statistics	P Values	Conclusion
Transformational Leadership -> Employee Performance	0,339	2,046	0,041	Accepted
Transformational Leadership -> Motivation	0,888	26,968	0,000	Accepted
Motivation -> Employee Performance	0,633	3,832	0,000	Accepted

Source: PLS Smart Output, 2025

In the results of Table 4, there is a direct influence value which will be explained as follows:

- Transformational leadership has a positive and significant effect on employee performance with a t-statistical value of 2.046 above 1.96 and a significance of 0.041 below 0.05, meaning that transformational leadership has a positive and significant effect on employee performance because the significance value is below 0.05. The results of this study are in accordance with the results of previous research, namely transformational leadership has a positive and significant effect on employee performance at the Binjai Inspectorate office (Tarigan & Ferine, 2024) and transformational leadership has a positive and significant effect on employee performance at the Binjai National Unity and Political Agency (Hasibuan & Ferine, 2023).
- Transformational leadership has a positive and significant effect on motivation with a t-statistical value of 26.968 above 1.96 and a significance of 0.000 below 0.05, meaning that transformational leadership has a positive and significant effect on motivation because the significance value is below 0.05. This research is in accordance with research that states that transformational leadership has a positive and significant effect on work motivation

at the Binjai City Regional Financial and Asset Management Agency (Firda & Ferine, 2023).

- c. Motivation has a positive and significant effect on employee performance with a t-statistical value of 3.832 above 1.96 and a significance of 0.000 below 0.05, meaning that motivation has a positive and significant effect on employee performance because the significance value is below 0.05. The results of this study are in accordance with the results of the previous study, namely motivation has a positive and significant effect on employee performance because the significance value is below 0.05. Jintar research (2023) also states that motivation has a positive and significant effect on performance on CVs. Eternal Award.

Indirect Influence Between Variables

The indirect influence between variables can be seen in the value of *specific indirect effects*. The results of data processing show the value of indirect influence can be seen in Table 5 below.

Table 5. Specific Indirect Effects

	Original Sample	T Statistics	P Values	Conclusion
Transformational Leadership -> Motivation -> Employee Performance	0,562	3,565	0,000	Accepted

Source: Smart PLS, 2025

In table 5, there is an indirect influence between variables which will be explained as follows: Transformational leadership has a positive and significant effect on employee performance through motivation with a t-statistical value of 3.565 and a significance value of 0.000, meaning that motivation plays an intervening variable between transformational leadership and employee performance. Sapri's research (2023) states that transformational leadership has a positive and significant effect on employee performance through motivation.

Conclusion

1. Transformational leadership has a positive and significant effect on the performance of employees at the Regional Finance and Assets Agency of North Sumatra Province.
2. Transformational leadership has a positive and significant effect on work motivation at the Regional Finance and Assets Agency of North Sumatra Province.
3. Work motivation has a positive and significant effect on employee performance at the Regional Finance and Assets Agency of North Sumatra Province.
4. Transformational leadership has a positive and significant effect on employee performance through work motivation at the Regional Finance and Assets Agency of North Sumatra Province.

Suggestion

1. In the transformational leadership variable, it turns out that the indicator that has the lowest value is the statement "My leader pays special attention to my personal needs and development". It turns out that this statement shows that a leader needs to pay more

attention to his subordinates because a person, especially his subordinates, will feel appreciated if the leader pays more attention to his needs even though his needs are personal.

2. For work motivation with the statement "I try hard to get the job done. ". It is better for the leadership of the Regional Finance and Assets Agency of North Sumatra Province to pay more attention to their employees in working, especially employees who are constrained by their work both technically and non-technically, and can find a way out.
3. Employee performance with the statement "I am fully responsible for the results of the work I do". It turns out that employees feel that the responsibilities they have done have not been maximized, so agencies pay more attention to employees who are less responsible for the tasks they have to carry out. They need to be supported to work as best as possible in accordance with their respective responsibilities.

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