

The Influence of Transformational Leadership and Competency Development on Employee Performance through the Mediation of Work Motivation

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Abstract

Employee performance is a crucial factor in maintaining the competitiveness of manufacturing companies, particularly in the furniture industry, which demands timeliness, product quality, and operational efficiency. This study aims to analyze the influence of transformational leadership and competency development on employee performance with work motivation as a mediating variable at PT Chia Jiann Indonesia Furniture Jepara (Mahogany). The research employs a quantitative approach with a descriptive and associative design. The research population consists of all 150 employees of the company, all of whom were selected as respondents using a census sampling technique. Data were collected through a Likert-scale questionnaire and analyzed using the Partial Least Squares-Structural Equation Modeling (PLS-SEM) method with SmartPLS 4.0 software. The results indicate that transformational leadership and competency development have a positive and significant effect on work motivation. Work motivation is also proven to have a positive and significant effect on employee performance. However, transformational leadership and competency development do not have a significant direct effect on employee performance. The analysis of indirect effects shows that work motivation significantly mediates the relationship between transformational leadership and competency development on employee performance. These findings confirm that improving employee performance in the furniture manufacturing industry is not solely determined by leadership practices and employee competency levels, but also heavily depends on the organization's ability to build and strengthen work motivation. This study provides theoretical contributions to the development of human resource management literature as well as practical implications for companies in designing sustainable employee performance improvement strategies.

Keywords: Transformational Leadership, Competency Development, Work Motivation, Employee Performance, Furniture Industry.

A. INTRODUCTION

Employee performance is a key factor that determines the success and competitiveness of a company, especially in the manufacturing industry, which requires punctuality, product quality, and work efficiency. Employee performance reflects the level of achievement in both the quantity and quality of work results in accordance with the standards set by the company (Febrina & Rahmat, 2024). In the era of globalization and rapid technological development, companies are required to ensure that employees are able to work optimally so that production targets and quality standards can be achieved sustainably.

In the context of the furniture industry, employee performance becomes even more crucial because the production process heavily depends on technical skills, accuracy, and coordination among divisions. PT. Chia Jiann Indonesia Furniture Jepara (Mahogany), as one of the export-oriented furniture manufacturing companies, also faces similar challenges. Based on preliminary observations and HRD data from 2024, inconsistencies in the achievement of production targets were found, along with differences in productivity levels among divisions, particularly between the production and finishing departments. In addition, performance indicators such as attendance rates, punctuality, and employee

participation in company activities show fluctuations, indicating that overall employee performance has not yet reached an optimal level.

The following table presents a summary of employee performance phenomena at PT. Chia Jiann Indonesia Furniture Jepara (Mahogany) based on preliminary observations and internal HRD data in 2024. This data is used to strengthen the empirical arguments presented in the introduction section of the study.

Table. 1 Internal HRD data 2024

Indikator Kinerja	Target Perusahaan	Realisasi 2024	Fenomena yang terjadi	Implikasi terhadap Kinerja
Pencapaian Target Produksi	100% per bulan	85 – 92%	Target produksi tidak tercapai secara konsisten setiap bulan	Penurunan output dan efisiensi produksi
Produksi antar divisi	Relatif seimbang	Produksi < finishing	Terdapat kesenjangan produktivitas antar divisi	Ketidak seimbangan beban kerja
Tingkat kehadiran	≥ 95%	88–91%	Absensi dan izin kerja relatif tinggi	Gangguan kelancaran proses produksi
Keterlambatan kerja	≤ 3%	7–10%	Keterlambatan masih sering terjadi	Menurunkan disiplin dan ritme kerja
Partisipasi karyawan	Aktif & merata	Tidak merata	Karyawan kurang terlibat dalam kegiatan perusahaan	Rendahnya engagement dan motivasi
Pelatihan & pengembangan	Rutin & menyeluruh	terbatas	Pelatihan belum merata di semua divisi	Kesenjangan kompetensi karyawan

Based on internal HRD data in 2024, the realization of the company's production target achievement ranges from 85–92% per month, which is still below the company's target of 100%. This condition indicates that production targets have not been consistently achieved every month, resulting in decreased output and production efficiency. In addition, there is an imbalance in productivity among divisions, where the output of the production department is lower than that of the finishing department. This productivity gap has implications for uneven workload distribution and the potential occurrence of bottlenecks in the production process.

Performance issues are also reflected in employee work discipline indicators. Employee attendance rates are recorded at only 88–91%, still below the company standard of ≥95%. The high level of absenteeism and work leave disrupts the smoothness of the production process and reduces work schedule stability. On the other hand, the rate of work tardiness, which reaches 7–10% per month, far exceeds the company's tolerance limit of ≤3%, indicating weak discipline and poor time management among employees. These conditions directly affect team work rhythm and the overall operational effectiveness of the company.

Another phenomenon that influences employee performance is the low level of employee participation and involvement in various company activities. Data shows that employee participation is uneven, with some employees being less actively involved in activities related to development and process improvement. This low participation reflects a suboptimal level of engagement and work motivation. Furthermore, training and competency development programs that should be carried out routinely and comprehensively are still limited and not evenly distributed across all divisions. This condition creates competency gaps among employees, which ultimately has the potential to reduce work quality, production efficiency, and company competitiveness.

This phenomenon is believed to be closely related to the role of leadership within the company. Leadership is a process of influencing and directing individuals or groups to achieve organizational goals (Ramadani et al., 2024). However, based on preliminary interviews with several employees, there is still a perception of one-way communication from superiors and a lack of feedback on work results. This condition indicates that the leadership style implemented has not been fully able to build employee involvement, trust, and work motivation. The limited role of leaders in providing inspiration, role models, and individual attention can worsen low work discipline, participation, and the achievement of production targets within the company.

In this regard, transformational leadership becomes relevant because it emphasizes inspiration, motivation, individual consideration, and intellectual stimulation in encouraging employee performance (Bass & Riggio, 2019). Transformational leadership is considered capable of creating a more

participatory and adaptive work environment, especially in facing technological changes and market demands in the furniture industry (Salsabila et al., 2024). The implementation of transformational leadership is expected to improve discipline, strengthen employee engagement, and encourage more consistent achievement of work targets.

In addition to leadership, employee competency development also plays an important role in improving performance. Competency is a combination of knowledge, skills, attitudes, and behaviors required to perform a job effectively (Patonengen & Setiawan, 2021). In the furniture industry, mastery of technical competencies such as design understanding, machine operation, and finishing techniques, as well as non-technical competencies such as teamwork and problem-solving skills, is highly needed to maintain production quality and efficiency (Cahyani, 2023). However, the limitations of training and competency development programs that have not been evenly implemented across all divisions have led to differences in employee capabilities, which in turn affect productivity balance and work quality. Furthermore, work motivation becomes a psychological factor that connects leadership and competency with employee performance. Work motivation is an internal drive that influences employees' willingness to strive to achieve organizational goals (Septiana et al., 2023). Based on preliminary interviews with the HRD department, some employees still work only to meet minimum targets without showing initiative or creativity. The lack of non-financial rewards, limited opportunities for self-development, and weak two-way communication between leaders and employees also contribute to low work motivation. This condition is reflected in low employee participation, high tardiness rates, and suboptimal achievement of production targets, which ultimately affect overall employee performance (Adwi et al., 2023).

Based on the explanation above, it can be concluded that the problems related to employee performance at PT. Chia Jiann Indonesia Furniture Jepara (Mahogany) do not only stem from technical operational aspects but are also closely related to transformational leadership, competency development, and employee work motivation. Therefore, this research is important to conduct in order to analyze the influence of transformational leadership and competency development on employee performance with work motivation as a mediating variable. The results of this study are expected to provide theoretical contributions and practical recommendations for improving employee performance and ensuring the sustainability of the company.

B. LITERATURE REVIEW

Employee Performance

Employee performance is a critical dimension of human resource management, as it directly determines organizational productivity and long-term sustainability. Patricia (2023) defines employee performance as the measurable outcomes and behavioral contributions demonstrated by individuals in carrying out their job responsibilities. This construct includes both task performance—outputs that can be quantified—and contextual performance, which encompasses behaviors that support organizational effectiveness. Performance appraisal practices commonly rely on multi-source evaluations such as supervisor assessments, peer evaluations, and self-ratings to capture these dimensions comprehensively.

Herzberg's Two-Factor Theory (1966) remains one of the most influential frameworks in explaining variations in employee performance. Herzberg distinguishes between motivator factors—achievement, recognition, and responsibility—which enhance performance, and hygiene factors—salary, working conditions, and company policies—which prevent dissatisfaction but do not inherently improve performance. Complementing this perspective, Goal Setting Theory (Locke & Latham, 2002) posits that clear, specific, and challenging goals improve focus, persistence, and performance outcomes. Recent studies also highlight the growing influence of technology in shaping employee performance. Nuriani and Firdaus (2024) explain that effective use of digital tools enhances coordination and productivity, although technology-induced stress and fatigue remain potential constraints. Overall, employee performance emerges from the interaction of motivation, goal clarity, work environment, and technological support, underscoring the need for holistic management strategies such as training, career development, and supportive work climates.

Transformational Leadership

Transformational leadership is widely recognized as a leadership approach that drives positive organizational change through inspiration, vision, and individualized support. According to Nafal et al. (2024), transformational leadership involves influencing followers by elevating their awareness of organizational goals and values, thereby strengthening their intrinsic motivation. Transformational

leaders act not merely as supervisors but as change agents who cultivate commitment and shared purpose among employees.

The transformational leadership model is anchored in four key components. Idealized influence positions leaders as role models who demonstrate integrity and earn trust from their followers. Inspirational motivation reflects the leader's ability to articulate an appealing vision that energizes employees to pursue collective goals. Intellectual stimulation encourages innovation by challenging established assumptions and promoting creative problem-solving. Individualized consideration highlights the importance of attending to employees' unique needs through coaching, mentoring, and support for personal and professional development. When these components are effectively integrated, transformational leadership fosters a work environment characterized by engagement, psychological safety, and high performance.

CONCEPTUAL FRAMEWORK

The conceptual framework of this study illustrates the relationships among transformational leadership, employee competence, work motivation, and employee performance. Transformational leadership is viewed as a key driver that enhances employees' motivation and directs them toward higher levels of performance. At the same time, employee competence—encompassing knowledge, skills, and work attitudes—plays an essential role in determining employees' ability to meet organizational expectations and contributes to improved motivation and confidence in completing tasks.

Work motivation is positioned as a mediating variable that links transformational leadership and employee competence to performance outcomes. When employees are motivated, they are more responsive to leaders' direction and better able to utilize their competencies, ultimately resulting in higher performance. This framework assumes that transformational leadership and competence exert both direct and indirect effects on employee performance through the mechanism of work motivation.

C. METHODOLOGY OF RESEARCH

This study employs a quantitative approach with a descriptive and associative design to examine the effects of transformational leadership and competency development on employee performance, as well as the mediating role of work motivation. The population consists of 150 employees of PT. Chia Jiann Indonesia Furniture Jepara, all of whom were included as respondents using a saturated sampling technique. Data were collected through a Likert-scale questionnaire (1–5) measuring transformational leadership, competence, work motivation, and employee performance, and the instrument was tested for validity and reliability prior to use. Data analysis was conducted using SmartPLS 4.0 through descriptive statistics, regression analysis, and path analysis to assess both direct and indirect relationships among variables. The study was carried out over a three-month period and adhered to research ethics, including obtaining managerial consent, ensuring respondent confidentiality, and guaranteeing voluntary participation.

D. RESULT AND DISCUSSION

Based on the results of data processing using SmartPLS 4, all indicators of the variables transformational leadership, employee competency, work motivation, and employee performance show outer loading values above 0.70. In the SmartPLS diagram display, these indicators are marked with circles or green colors, which carry specific methodological meanings.

Tabel. 1 Outer Loading Validity Test

Variabel	Outer loadings
KK1 <- Employee Competence	0,793
KK2 <- Employee Competence	0,962
KK3 <- Employee Competence	0,948
KK4 <- Employee Competence	0,960
KK5 <- Employee Competence	0,949
KT1 <- Transformational Leadership	0,891
KT2 <- Transformational Leadership	0,961

Variabel	Outer loadings
KT3 <- Transformational Leadership	0,976
KT4 <- Transformational Leadership	0,978
KT5 <- Transformational Leadership	0,959
Kin1 <- Employee Performance	0,927
Kin2 <- Employee Performance	0,948
Kin3 <- Employee Performance	0,921
Kin4 <- Employee Performance	0,750
Kin5 <- Employee Performance	0,911
MK1 <- Work Motivation	0,929
MK3 <- Work Motivation	0,946
MK5 <- Work Motivation	0,953

The indicators that are circled and marked in green indicate that they have met the criteria for convergent validity. Conceptually, convergent validity reflects the extent to which an indicator is able to represent the latent construct it is intended to measure. An outer loading value greater than 0.70 indicates that the indicator has a strong correlation with the latent variable, meaning that most of the variance in the indicator can be explained by the construct.

In the Employee Competency variable, all indicators (KK1–KK5) have outer loading values ranging from 0.793 to 0.962. This demonstrates that each indicator consistently and accurately reflects the concept of employee competency, which includes knowledge, skills, and work abilities. Similarly, in the Transformational Leadership variable, the outer loading values of the indicators (KT1–KT5) range from 0.891 to 0.978, indicating that these indicators are highly effective in representing the dimensions of transformational leadership, such as inspiration, individual consideration, and intellectual stimulation.

For the Employee Performance variable, all indicators (Kin1–Kin5) show outer loading values above the minimum threshold, including indicator Kin4 with a value of 0.750. Although this value is relatively lower compared to the others, it still meets the validity criteria. Therefore, the indicator is retained as it remains empirically capable of representing employee performance. Furthermore, in the Work Motivation variable, indicators MK1, MK3, and MK5 exhibit very high outer loading values, exceeding 0.90. This suggests that these indicators strongly reflect the internal drive of employees in performing their duties and contributing to the achievement of organizational goals.

Thus, the indicators that are circled or highlighted in green in the SmartPLS diagram confirm that they are valid, significant, and appropriate for use in subsequent structural model analysis. The absence of indicators with outer loading values below 0.70 indicates that all questionnaire items have met the required measurement standards and do not need to be eliminated. Consequently, the measurement model in this study can be considered both valid and reliable.

Tabel. 2 Reliability Tes

Variabel	Cronbach's alpha
Transformational Leadership	0,975
Employee Performance	0,936
Employee Competence	0,956
Work Motivation	0,937

In addition, the Cronbach's Alpha values for all constructs are above the minimum threshold of 0.70, indicating that each construct has adequate internal reliability. This confirms that the measurement instruments used in the study produce consistent and dependable results across all indicators. Therefore, all constructs employed in this research are considered reliable and appropriate for further analysis using structural modeling based on PLS-SEM. This reliability foundation ensures

that subsequent hypothesis testing and structural evaluation can be conducted with confidence in the quality of the measurement.

Tabel. 3 Analytic Descriptif Test

	Mean	Median	Observed min	Observed max	Standard deviation	Excess kurtosis	Skewness	Number of observations used	Cramér-von Mises test statistic	Cramér-von Mises p value
KK1	4,145	4,000	2,000	5,000	0,601	3,088	-0,836	110,000	3,318	0,000
KK2	3,918	4,000	2,000	5,000	0,764	1,238	-0,974	110,000	2,774	0,000
KK3	3,973	4,000	2,000	5,000	0,768	1,171	-0,929	110,000	2,465	0,000
KK4	3,927	4,000	2,000	5,000	0,670	1,656	-0,832	110,000	3,036	0,000
KK5	3,909	4,000	2,000	5,000	0,695	1,489	-0,864	110,000	2,939	0,000
KT1	3,945	4,000	2,000	5,000	0,761	0,855	-0,786	110,000	2,257	0,000
KT2	3,955	4,000	2,000	5,000	0,594	2,378	-0,780	110,000	3,620	0,000
KT3	3,973	4,000	2,000	5,000	0,639	2,067	-0,824	110,000	3,245	0,000
KT4	3,991	4,000	2,000	5,000	0,625	1,797	-0,673	110,000	3,122	0,000
KT5	4,000	4,000	2,000	5,000	0,618	2,008	-0,703	110,000	3,237	0,000
Kin1	4,136	4,000	3,000	5,000	0,476	0,932	0,385	110,000	4,247	0,000
Kin2	4,155	4,000	3,000	5,000	0,490	0,634	0,343	110,000	4,013	0,000
Kin3	4,155	4,000	3,000	5,000	0,490	0,634	0,343	110,000	4,013	0,000
Kin4	3,955	4,000	2,000	5,000	0,594	0,706	-0,251	110,000	2,928	0,000
Kin5	4,055	4,000	3,000	5,000	0,537	0,504	0,048	110,000	3,402	0,000
MK1	4,145	4,000	3,000	5,000	0,553	0,076	0,053	110,000	3,081	0,000
MK3	4,164	4,000	3,000	5,000	0,496	0,503	0,320	110,000	3,901	0,000
MK5	4,173	4,000	3,000	5,000	0,484	0,532	0,416	110,000	4,089	0,000

From the perspective of data distribution, the standard deviation values for all indicators fall within the range of 0.484 to 0.768. These values are relatively small compared to the measurement scale (1–5), indicating that respondents' perceptions are fairly homogeneous and that no substantial deviation in responses occurs. Descriptive normality tests further show that all skewness values lie between -1 and +1 (-0.974 to 0.416), while the excess kurtosis values range from -0.784 to 3.088. This indicates that the data distribution is generally close to normal, although some indicators exhibit slight left- or right-skewness.

Additionally, the Cramér-von Mises test produced significant statistics with p-values < 0.05 for all indicators, suggesting that despite being descriptively close to normal, the data statistically deviate from a perfectly normal distribution. However, given the relatively large sample size ($n = 110$), this deviation does not affect the validity of the analysis, especially since the Partial Least Squares (PLS) method used in this study does not require normally distributed data. Overall, the descriptive analysis indicates that respondents' perceptions of transformational leadership (KT), employee competence (KK), work motivation (MK), and employee performance (Kin) fall within the good to very good category, with relatively stable response variations.

Tabel. 4 Part Analysis Test

Variabel	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
KT -> KK	0,167	0,163	0,170	0,978	0,164
KT -> PK	0,926	0,927	0,019	47,931	0,000
PK -> KK	0,273	0,266	0,192	1,421	0,078
PK -> MK	0,600	0,601	0,066	9,046	0,000

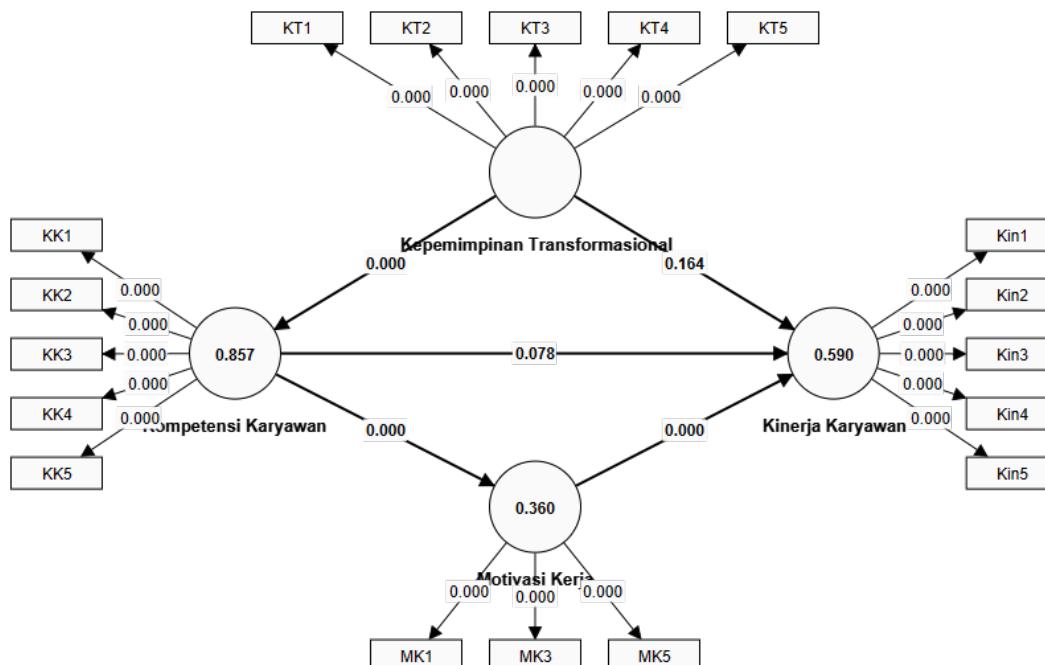
MK -> KK	0,430	0,438	0,111	3,878	0,000
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Tabel. 5 Specific indirect effects

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
KT -> PK -> KK	0,252	0,247	0,179	1,409	0,079
KT -> PK -> MK -> KK	0,239	0,245	0,072	3,307	0,000
PK -> MK -> KK	0,258	0,265	0,078	3,300	0,000
PK -> MK -> KK	0,258	0,265	0,078	3,300	0,000

The results of the specific indirect effects indicate that the path KT → PK → MK → KK is significant ($p = 0.000$), whereas the path KT → PK → KK is not significant ($p = 0.079$). This implies that transformational leadership (KT) influences employee performance (KK) indirectly through the combined roles of competence development (PK) and work motivation (MK), with work motivation serving as the primary mediator. These findings reinforce the conclusion that transformational leadership and competence development contribute to improved employee performance when mediated by work motivation (Singgih et al., 2020).

Figure.1 Path Analysis Results



The figure above illustrates the PLS-SEM model that explains the causal relationships among transformational leadership, employee competence, work motivation, and employee performance. The arrows in the model represent the direction of influence, while the circles and boxes indicate the types of variables analyzed. Arrows pointing from circles to indicator boxes signify that each latent variable is measured using reflective indicators. This means that the indicators are manifestations of the constructs they represent. The significance values on these arrows indicate that all indicators are valid and significant in reflecting their respective variables.

The arrows connecting the circles demonstrate causal relationships between latent variables. Transformational leadership has a significant influence on employee competence, meaning that

leadership style is able to enhance employees' knowledge, skills, and work abilities. Furthermore, employee competence significantly affects work motivation, indicating that employees with higher competence tend to have stronger work motivation. Work motivation, in turn, has a significant influence on employee performance, showing that motivation functions as a key determinant in achieving performance outcomes. Conversely, the direct effects of transformational leadership and employee competence on employee performance are not significant. This suggests that these two variables do not directly improve performance but operate through work motivation as a mediating variable.

The numbers inside the circles represent R-square values, which indicate the extent to which independent variables explain the dependent variables. The higher the value, the stronger the explanatory power of the model. Meanwhile, one circle appears without an R-square value, representing transformational leadership as an exogenous variable, which is not influenced by any other variables in the model. In summary, this model confirms that work motivation serves as the main mediating factor that explains how transformational leadership and employee competence ultimately affect employee performance.

The results of the SmartPLS structural model show that the dominant paths formed are from transformational leadership to competence, from competence to motivation, and from motivation to performance. Thus, although the direct paths of transformational leadership → performance and competence → performance are not significant, the indirect effects through work motivation become the primary pathways explaining improvements in employee performance.

The Influence of Transformational Leadership on Work Motivation

The results show that transformational leadership has a positive and significant effect on employee work motivation ($\beta = 0.360$; $t = 9.046$; $p = 0.000$). This indicates that when leaders provide clear direction, act as role models, and demonstrate concern for subordinates' needs, employees feel appreciated, motivated, and inspired to perform better. Such a leadership style enhances employees' sense of responsibility, enthusiasm, and commitment to their work.

These findings support the Transformational Leadership theory by Bass and Avolio (1994), which states that transformational leaders enhance subordinates' motivation through four core dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Leaders who effectively apply these dimensions foster a sense of belonging, commitment, and intrinsic drive among employees.

This study aligns with Yusup & Maulani (2023), who found that transformational leadership enhances work motivation because leaders provide emotional support, a compelling vision, and active involvement in employee development. Similar results were reported by Pires et al. (2023), who noted that transformational leadership significantly influences employee motivation and performance in the industrial sector. In contrast, findings by Hassan et al. (n.d.) indicate that transformational leadership does not always significantly affect motivation when the work environment is unsupportive or when communication between leaders and subordinates is ineffective. Therefore, it can be concluded that transformational leadership plays a crucial role in enhancing work motivation, although its effectiveness depends on organizational conditions and interpersonal relationships in the workplace.

The Influence of Competence Development on Work Motivation

The findings indicate that competence development has a positive and significant effect on employee work motivation ($\beta = 0.600$; $t = 9.046$; $p = 0.000$). This suggests that the better the employees' competencies, the higher their motivational levels. Competence—defined as the combination of skills, knowledge, and appropriate work attitudes—strengthens employees' confidence, readiness to face challenges, and intrinsic motivation.

This result supports the study of Rizki Bayu Andika & Ratri Wahyuningtyas (2024), which found that competence development directly increases work motivation because employees feel more prepared to meet job demands. Similarly, Hidayat (2021) reported that high competence contributes to increased intrinsic motivation and employee loyalty through enhanced confidence and job satisfaction. Anjani (2019) also emphasized that competence development through training and self-improvement fosters sustainable motivation because employees feel valued and perceive opportunities for growth.

However, different findings were noted by Ashar (2018), who reported that competence development does not significantly influence motivation if not accompanied by organizational support

and a conducive work environment. These differences highlight that the effectiveness of competence development in enhancing motivation depends heavily on organizational context. Thus, this study confirms that competence development is an important factor in increasing work motivation, but its success relies on managerial support and an enabling work environment.

The Influence of Work Motivation on Employee Performance

The results indicate that work motivation has a positive and significant effect on employee performance ($\beta = 0.430$; $t = 3.878$; $p = 0.000$). This suggests that higher employee motivation corresponds to higher performance levels. Motivated employees tend to work more diligently, creatively, and with a stronger commitment to completing their tasks. Motivation functions as a driving force that ensures tasks are executed effectively, efficiently, and productively.

This finding aligns with Rizki Bayu Andika & Ratri Wahyuningtyas (2024), who reported that motivated employees show greater initiative, responsibility, and capability in both individual and team-based tasks. Similarly, Syahputra & Tanjung (2020) found that intrinsic motivation significantly improves work quality and speed, especially when supported by a conducive work environment.

Rahmati & Fasih Khan (2025) further emphasized that high work motivation enhances employee productivity by improving organizational commitment and job satisfaction. In contrast, Widodo (2017) reported that motivation does not significantly affect performance when reward systems and career advancement opportunities are unclear. These variations suggest that the influence of motivation on performance is highly dependent on organizational factors such as incentive systems, leadership, and work culture. Thus, this study confirms that work motivation is a key determinant of employee performance, although its effectiveness is shaped by organizational support and equitable reward systems.

Direct Effects of Leadership and Competence Development on Employee Performance

The analysis shows that the direct effect of Transformational Leadership (KT) on Employee Performance (KK) is not significant ($\beta = 0.167$; $t = 0.978$; $p = 0.164$). Similarly, the direct effect of Competence Development (PK) on performance is also not significant ($\beta = 0.273$; $t = 1.421$; $p = 0.078$). These results indicate that neither transformational leadership nor competence development directly improves employee performance; rather, their effects occur through mediating factors such as work motivation.

Despite the insignificant direct effect, transformational leadership significantly enhances employee competence ($\beta = 0.926$; $t = 47.931$; $p = 0.000$), suggesting that transformational leaders foster a work environment that supports competence development. This improved competence later contributes to increased motivation and performance.

These findings align with Meiryani et al. (2022), who reported a significant relationship between transformational leadership and performance. However, other studies have shown that transformational leadership does not directly influence performance without mediating or contextual factors. For example, Alviany & Haryanto (2022) found no significant direct effect of transformational leadership on performance under remote working conditions.

Research on competence similarly shows that competence may influence performance indirectly through mediators such as motivation or job satisfaction (Kharisma & Rosia, 2022). Thus, in the context of the Indonesian furniture industry, this study confirms that the direct effects of transformational leadership and competence development are insufficient without the presence of mediating mechanisms such as work motivation. This highlights the importance of integrated interventions that not only strengthen competence and leadership practices but also ensure that motivational processes function effectively within the organization.

The Mediating Role of Work Motivation

The results indicate that Work Motivation (MK) serves as a partial mediator in the relationship between Transformational Leadership (KT) and Competence Development (PK) with Employee Performance (KK). Although the direct effects $KT \rightarrow KK$ ($\beta = 0.167$; $t = 0.978$; $p = 0.164$) and $PK \rightarrow KK$ ($\beta = 0.273$; $t = 1.421$; $p = 0.078$) are not significant, both variables contribute significantly to performance when their effects are transmitted through work motivation. Motivated employees tend to be more focused, enthusiastic, proactive, and capable of delivering optimal performance.

These findings are consistent with Rohman et al. (2024), who found that transformational leadership positively influences work motivation, which in turn enhances employee performance. Similar

results were reported by Sagita (2023), who confirmed the mediating role of motivation in the relationship between leadership, work environment, and performance.

However, contrasting evidence was presented by Nuriman (2021), who found that motivation does not significantly mediate the relationship between leadership and performance when motivational systems are weak ($p > 0.05$). These variations indicate that the effectiveness of motivation as a mediator depends on organizational context, leadership quality, competence development programs, and workplace conditions. Therefore, organizations seeking to enhance employee performance through leadership and competence development must ensure that a strong motivational climate is established.

E. CONCLUSION

This study demonstrates that transformational leadership has a positive and significant effect on work motivation, but does not directly influence employee performance. Competency development also has a positive and significant effect on work motivation, yet its direct effect on performance is not significant. Work motivation is proven to significantly influence employee performance and acts as a mediator between transformational leadership and competency development on employee performance. Thus, work motivation serves as a key factor that bridges the impact of leadership and competency on enhancing employee performance in the furniture industry sector.

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