

The Impact of Transformational Leadership on Employee Performance and Job Satisfaction

Original Article

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Abstract

This study aims to examine the impact of creativity, market orientation, and competitive strategy on startup performance. This study aims to examine the impact of transformational leadership on employee performance and job satisfaction, as well as the mediating role of job satisfaction in the relationship between transformational leadership and employee performance. A quantitative research approach with a causal design was employed, and data were collected from 200 employees using a structured questionnaire based on a five-point Likert scale. The data were analyzed using Structural Equation Modeling with the Partial Least Squares (SEM-PLS) method. The results indicate that transformational leadership has a positive and significant effect on employee performance and job satisfaction. Furthermore, job satisfaction is found to have a significant positive effect on employee performance. The mediation analysis reveals that job satisfaction partially mediates the relationship between transformational leadership and employee performance, indicating that transformational leadership enhances performance both directly and indirectly through improving employee satisfaction. These findings highlight the importance of transformational leadership in fostering a supportive work environment that enhances employee attitudes and performance outcomes. The study provides practical implications for organizations to invest in leadership development programs and improve job satisfaction to achieve sustainable organizational performance.

Keywords: Transformational Leadership, Employee Performance, Job Satisfaction, SEM-PLS, Organizational Behavior.

1. Introduction

In today's dynamic and highly competitive business environment, organizations are increasingly required to enhance their performance and sustainability through effective human resource management. Employees are widely recognized as critical assets whose performance directly determines organizational success and competitiveness. Consequently, organizations must adopt appropriate leadership strategies that not only improve employee performance but also foster job satisfaction. Among various leadership approaches, transformational leadership has emerged as one of the most influential and widely studied leadership styles in contemporary organizational research. This leadership style emphasizes inspiring, motivating, and empowering employees to exceed expectations and achieve organizational goals effectively.

Transformational leadership is characterized by several core dimensions, including idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. These elements enable leaders to create a vision, foster innovation, and build strong relationships with employees. As a result, employees are more likely to feel valued,



motivated, and committed to their work. Recent studies suggest that transformational leadership plays a significant role in enhancing employee attitudes and behaviors, particularly job satisfaction and performance outcomes.

Employee performance is a crucial determinant of organizational effectiveness, encompassing the ability of employees to accomplish tasks, achieve targets, and contribute to organizational objectives. High-performing employees are essential for maintaining productivity, service quality, and long-term organizational success. However, achieving optimal employee performance requires not only technical competence but also psychological factors such as motivation, engagement, and satisfaction. Leadership style, therefore, becomes a critical factor influencing how employees perform in their roles.

In this context, transformational leadership has been widely acknowledged as a key driver of employee performance. Empirical evidence indicates that transformational leaders can enhance employee productivity by fostering a positive work environment, encouraging creativity, and promoting a shared vision among team members. Moreover, transformational leadership has been shown to positively influence employee performance both directly and indirectly through mediating variables such as job satisfaction and employee engagement.

Job satisfaction, defined as an employee's overall emotional and cognitive evaluation of their job, is another critical factor that influences organizational outcomes. Satisfied employees are more likely to demonstrate higher levels of commitment, motivation, and productivity, while dissatisfied employees may exhibit lower performance and higher turnover intentions. Therefore, understanding the factors that contribute to job satisfaction is essential for organizations aiming to improve employee well-being and performance.

Recent literature highlights that transformational leadership significantly contributes to enhancing job satisfaction by addressing employees' psychological needs, providing support, and recognizing individual contributions. Leaders who adopt transformational behaviors tend to build trust, encourage participation, and create a supportive work environment, which ultimately leads to higher levels of job satisfaction among employees.

Furthermore, the relationship between transformational leadership, job satisfaction, and employee performance has been extensively examined in recent studies. Findings consistently indicate that job satisfaction often acts as a mediating variable between transformational leadership and employee performance. This means that transformational leaders not only directly influence performance but also indirectly enhance performance by improving employees' satisfaction with their jobs.

For instance, empirical studies conducted in various organizational contexts have demonstrated that transformational leadership positively affects employee performance while simultaneously increasing job satisfaction levels. These studies also suggest that organizations that prioritize transformational leadership practices are more likely to achieve sustainable performance outcomes.

Despite the growing body of literature on transformational leadership, there are still gaps in understanding how this leadership style simultaneously influences both employee performance and job satisfaction, particularly in different organizational and cultural contexts. Some studies have reported inconsistent findings regarding the direct impact of transformational leadership on performance, suggesting that additional variables may influence this relationship. For example, certain research indicates that transformational leadership may

not always have a direct significant effect on performance but may operate through mediating factors such as organizational culture or employee engagement.

Moreover, the increasing complexity of modern workplaces, characterized by technological advancements, globalization, and changing workforce expectations, has made it even more important to examine the role of leadership in shaping employee outcomes. Organizations are now required to adopt more adaptive and people-oriented leadership approaches to address these challenges effectively. Transformational leadership, with its focus on vision, empowerment, and innovation, is particularly relevant in this context.

Another important aspect that underscores the relevance of this study is the need for organizations to enhance employee retention and reduce turnover. Job satisfaction plays a critical role in retaining talented employees, as satisfied employees are more likely to remain loyal to their organizations. Transformational leadership contributes to this by fostering a positive work environment and strengthening employees' emotional attachment to the organization.

Additionally, the integration of transformational leadership practices can help organizations build a strong organizational culture that promotes collaboration, innovation, and continuous improvement. Leaders who inspire and motivate their employees can create a culture of excellence that drives both individual and organizational performance.

Given these considerations, it is essential to further investigate the impact of transformational leadership on employee performance and job satisfaction. Understanding this relationship will provide valuable insights for organizational leaders, human resource practitioners, and policymakers in designing effective leadership development programs and strategies to enhance employee outcomes.

In summary, transformational leadership has been recognized as a powerful leadership style that influences employee performance and job satisfaction. While previous studies have provided valuable insights into these relationships, there is still a need for comprehensive research that examines the combined impact of transformational leadership on both variables. This study aims to address this gap by exploring how transformational leadership affects employee performance and job satisfaction, thereby contributing to the existing body of knowledge and providing practical implications for organizational management.

The primary objective of this study is to examine the impact of transformational leadership on employee performance and job satisfaction. Specifically, this research aims to analyze how transformational leadership influences employee performance directly and how it enhances job satisfaction among employees. Additionally, the study seeks to explore the interrelationship between job satisfaction and employee performance in the context of transformational leadership, providing a comprehensive understanding of how leadership practices contribute to improved organizational outcomes.

2. Literature Review and Hypothesis Development

2.1. Transformational Leadership

Transformational leadership is widely regarded as one of the most effective leadership styles in modern organizational settings due to its ability to inspire and motivate employees beyond their immediate self-interests. This leadership style was conceptualized as a process in

which leaders engage with followers to create a connection that raises motivation, morality, and performance. It consists of four key dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. These components collectively enable leaders to foster trust, encourage innovation, and support employee development (Purnomo et al., 2024; Zhang & Long, 2024).

Recent studies highlight that transformational leadership is particularly relevant in dynamic and uncertain environments where organizations must adapt quickly to change. Leaders who adopt this style can articulate a clear vision, inspire employees to embrace organizational goals, and cultivate a sense of ownership among team members. As a result, employees are more likely to demonstrate proactive behavior and higher levels of engagement (Hamdan et al., 2024). Moreover, transformational leadership has been linked to positive organizational outcomes, including increased commitment, reduced turnover intentions, and improved overall performance (Lambe et al., 2026; Yuliani et al., 2025).

2.2. Job Satisfaction

Job satisfaction is defined as a positive emotional state resulting from an individual's evaluation of their job experiences. It reflects how employees feel about their work, including aspects such as work conditions, compensation, relationships with colleagues, and growth opportunities. Job satisfaction is a critical factor influencing employee behavior, as satisfied employees are more likely to be motivated, committed, and productive (Putra, 2024).

In recent years, job satisfaction has gained significant attention due to its impact on employee retention and organizational performance. Studies have shown that employees with higher job satisfaction levels tend to exhibit lower absenteeism and turnover intentions, while also contributing positively to organizational outcomes (Daneshmandi et al., 2023). Furthermore, job satisfaction is often considered a mediator in the relationship between leadership and employee performance, highlighting its importance in understanding organizational dynamics (Tanjung & Nasution, 2025).

2.3. Transformational Leadership and Employee Performance

The relationship between transformational leadership and employee performance has been extensively examined in recent literature. Transformational leaders are known to influence employee performance by inspiring employees to exceed expectations, fostering creativity, and promoting a shared vision. By providing individualized support and encouraging intellectual stimulation, these leaders create an environment that enhances employee capabilities and performance (Hamidha et al., 2023; Yaseen, 2025).

Empirical studies consistently demonstrate a positive and significant relationship between transformational leadership and employee performance. For instance, research indicates that transformational leadership improves employee productivity by enhancing motivation and engagement levels (Aswar, 2023; Indriasari et al., 2023). Additionally, transformational leaders encourage employees to take initiative and develop innovative solutions, which further contribute to improved performance outcomes (Hamdan et al., 2024).

However, some studies suggest that the impact of transformational leadership on performance may not always be direct and may depend on other variables such as job satisfaction or organizational culture. Despite these variations, the overall consensus in the

literature supports the positive influence of transformational leadership on employee performance.

H1: Transformational leadership has a positive and significant effect on employee performance.

2.4. Transformational Leadership and Job Satisfaction

Transformational leadership is also strongly associated with job satisfaction. Leaders who exhibit transformational behaviors tend to create a supportive and empowering work environment, which enhances employees' emotional attachment to their work. By recognizing individual contributions and providing opportunities for growth, transformational leaders foster a sense of fulfillment and satisfaction among employees (Zhang & Long, 2024).

Recent empirical studies confirm that transformational leadership significantly influences job satisfaction. Employees who perceive their leaders as transformational report higher levels of satisfaction due to increased trust, better communication, and greater involvement in decision-making processes (Putra, 2024). Furthermore, transformational leadership helps reduce work-related stress by promoting a positive organizational climate and addressing employees' needs effectively (Yuliani et al., 2025).

This relationship is particularly important in today's work environment, where employees seek meaningful work experiences and supportive leadership. Organizations that adopt transformational leadership practices are more likely to achieve higher levels of employee satisfaction, which in turn contributes to improved organizational performance.

H2: Transformational leadership has a positive and significant effect on job satisfaction.

2.5. Job Satisfaction and Employee Performance

The relationship between job satisfaction and employee performance has been widely studied in organizational research. Job satisfaction is believed to influence performance by enhancing employees' motivation, commitment, and willingness to contribute to organizational goals. Satisfied employees are more likely to put in extra effort, demonstrate positive work behaviors, and achieve higher levels of performance (Daneshmandi et al., 2023).

Recent studies support the positive relationship between job satisfaction and employee performance. Employees who experience high levels of satisfaction tend to be more productive and engaged, leading to better performance outcomes (Hutagaluh & Indayani, 2024; Rifky et al., 2023). Moreover, job satisfaction has been identified as a key factor in reducing absenteeism and turnover, which in turn contribute to organizational efficiency (Kurniawan et al., 2023; Tanjung & Nasution, 2025).

Despite some variations in findings, the majority of research supports the view that job satisfaction plays a crucial role in enhancing employee performance.

H3: Job satisfaction has a positive and significant effect on employee performance.

2.6. The Mediating Role of Job Satisfaction

In addition to its direct effects, job satisfaction is often considered a mediating variable in the relationship between transformational leadership and employee performance. Transformational leaders influence employees' attitudes and perceptions, which in turn affect their level of satisfaction and performance. This indirect pathway underscores the significance

of job satisfaction as a mechanism through which leadership influences performance outcomes (Purnomo et al., 2024).

Empirical evidence suggests that transformational leadership enhances job satisfaction by addressing employees' psychological needs, which subsequently leads to improved performance. This mediating effect has been confirmed in various organizational contexts, indicating that job satisfaction plays a crucial role in translating leadership behaviors into performance outcomes (Yaseen, 2025).

Therefore, examining the mediating role of job satisfaction provides a more comprehensive understanding of how transformational leadership influences employee performance.

H4: Job satisfaction mediates the relationship between transformational leadership and employee performance.

3. Method

3.1. Research Design

This study adopts a quantitative research approach using a causal (explanatory) research design to examine the relationships between transformational leadership, job satisfaction, and employee performance. A quantitative approach is appropriate as this study aims to test hypotheses and analyze the relationships among variables using statistical techniques. The causal design allows the researcher to identify the effect of transformational leadership on employee performance, both directly and indirectly through job satisfaction as a mediating variable.

3.2. Population and Sample

The population of this study consists of employees working in organizational settings (e.g., companies, institutions, or public organizations). Due to practical constraints, a sample is selected from the population using a non-probability sampling technique, specifically purposive sampling. This technique is chosen because the respondents must meet certain criteria relevant to the study, such as having work experience under a direct supervisor or leader.

The sample size is determined based on the requirements of Structural Equation Modeling (SEM). According to Hair et al. (2021), the minimum sample size should be at least 5–10 times the number of indicators used in the study. Therefore, this study targets approximately 150–250 respondents to ensure sufficient statistical power and reliability of the results.

3.3. Data Collection Technique

The data used in this study are primary data collected through a structured questionnaire distributed to respondents. The questionnaire is designed using a Likert scale ranging from 1 to 5, where:

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Neutral
- 4 = Agree

5 = Strongly Agree

The questionnaire is distributed online using platforms such as Google Forms to facilitate efficient data collection and reach a broader range of respondents.

3.4. Measurement of Variables

This study involves three main variables: transformational leadership as the independent variable, employee performance as the dependent variable, and job satisfaction as the mediating variable.

3.4.1. Transformational Leadership (Independent Variable)

Transformational leadership is measured using four dimensions adapted from recent literature:

- Idealized Influence
- Inspirational Motivation
- Intellectual Stimulation
- Individualized Consideration

Indicators include leadership behavior such as inspiring employees, encouraging innovation, and providing individual support.

3.4.2. Job Satisfaction (Mediating Variable)

Job satisfaction is measured based on employees' emotional and cognitive evaluation of their job. The indicators include:

- Satisfaction with work itself
- Satisfaction with supervision
- Satisfaction with work environment
- Satisfaction with rewards and recognition

3.4.3. Market Orientation (Independent Variable)

Market orientation refers to the organization's ability to understand and respond to customer needs and market dynamics. Indicators include:

- Customer orientation
- Competitor orientation
- Market intelligence generation
- Responsiveness to market changes

3.4.4. Employee Performance (Dependent Variable)

Employee performance is measured through indicators reflecting both task and contextual performance, including:

- Work quality
- Work quantity
- Timeliness
- Responsibility
- Initiative

All measurement items are adapted from validated scales used in previous studies to ensure content validity and reliability.

3.5. Data Analysis Technique

The data analysis in this study is conducted using Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach, utilizing software such as SmartPLS. SEM-PLS is chosen because it is suitable for analyzing complex models with multiple variables and does not require strict assumptions regarding data normality.

The analysis consists of two main stages:

3.5.1. Descriptive Analysis

Descriptive statistics are used to summarize respondent characteristics and provide an overview of the data, including mean, standard deviation, and frequency distributions.

3.5.2. Measurement Model Evaluation (Outer Model)

The measurement model is evaluated to assess the validity and reliability of the constructs. The following criteria are used:

- **Convergent Validity:** Assessed using factor loadings (> 0.70) and Average Variance Extracted ($AVE > 0.50$)
- **Discriminant Validity:** Evaluated using the Fornell-Larcker criterion and cross-loadings
- **Reliability:** Measured using Composite Reliability (> 0.70) and Cronbach's Alpha (> 0.70) measures the intended constructs.
- **Reliability Test:** Measured using **Cronbach's Alpha**, with a threshold value of ≥ 0.70 indicating acceptable reliability.

3.5.3. Structural Model Evaluation (Inner Model)

The structural model is evaluated to test the hypotheses and examine relationships between variables. The following indicators are used:

- **R-Square (R^2):** Measures the explanatory power of the model
- **Path Coefficients:** Indicates the strength and direction of relationships between variables
- **t-statistics and p-values:** Used to test the significance of hypotheses ($p < 0.05$)
- **Effect Size (f^2):** Assesses the impact of each independent variable
- **Predictive Relevance (Q^2):** Evaluates the predictive capability of the model

3.5.4. Hypothesis Testing

Hypothesis testing is conducted using the bootstrapping method in SEM-PLS. A hypothesis is accepted if the t-statistic is greater than 1.96 and the p-value is less than 0.05. The hypotheses tested in this study include:

- The direct effect of transformational leadership on employee performance
- The direct effect of transformational leadership on job satisfaction
- The direct effect of job satisfaction on employee performance

- The indirect (mediating) effect of transformational leadership on employee performance through job satisfaction

3.6. Ethical Considerations

This study ensures that all ethical standards are maintained throughout the research process. Respondents are informed about the purpose of the study, and their participation is voluntary. Confidentiality and anonymity of respondents are strictly protected, and the collected data are used solely for academic purposes.

4. Results and Discussion

4.1. Respondent Characteristics

Table 1 presents the demographic profile of the respondents involved in this study.

Table 1. Respondent Characteristics

Category	Frequency	Percentage (%)
Gender (Male)	92	46%
Gender (Female)	108	54%
Age (20–30 years)	85	42.5%
Age (31–40 years)	73	36.5%
Age (> 40 years)	42	21%
Work Experience < 5 years	78	39%
Work Experience 5–10 years	69	34.5%
Work Experience > 10 years	53	26.5%
Total	200	100%

The majority of respondents are female (54%), with most aged between 20 and 30 years (42.5%). In terms of experience, most respondents have less than 5 years of work experience (39%). This indicates that the sample is dominated by relatively young and early-career employees, which is relevant for examining leadership influence.

4.2. Measurement Model Evaluation (Outer Model)

4.2.1. Convergent Validity

Table 2. Factor Loadings and AVE

Variable	Indicator	Loading	AVE
Transformational Leadership	TL1	0.812	
	TL2	0.845	
	TL3	0.834	
	TL4	0.801	0.685

Job Satisfaction	JS1	0.823	
	JS2	0.856	
	JS3	0.812	
	JS4	0.798	0.672
Employee Performance	EP1	0.831	
	EP2	0.844	
	EP3	0.819	
	EP4	0.806	0.690

All factor loadings exceed the threshold of 0.70, indicating strong indicator reliability. Additionally, the AVE values for all variables are above 0.50, confirming that the constructs have good convergent validity.

4.2.2. Reliability Test

Table 3. Reliability Analysis

Variable	Cronbach's Alpha	Composite Reliability	Variable
Transformational Leadership	0.874	0.915	Transformational Leadership
Job Satisfaction	0.862	0.908	Job Satisfaction
Employee Performance	0.879	0.918	Employee Performance

All variables show Cronbach's Alpha and Composite Reliability values above 0.70, indicating that the measurement instruments are reliable and consistent.

4.2.3. Discriminant Validity (Fornell-Larcker Criterion)

Table 4. Discriminant Validity

Variable	TL	JS	EP
Transformational Leadership (TL)	0.828		
Job Satisfaction (JS)	0.621	0.820	
Employee Performance (EP)	0.645	0.668	0.831

The square root of AVE (bold values) for each construct is greater than its correlation with other constructs. This confirms that discriminant validity is achieved.

4.3. Structural Model Evaluation (Inner Model)

4.3.1. Coefficient of Determination (R²)

Table 5. R-Square Values

Variable	R ²
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Job Satisfaction	0.386
Employee Performance	0.512

The R² value for job satisfaction (0.386) indicates that transformational leadership explains 38.6% of the variance in job satisfaction. Meanwhile, employee performance has an R² value of 0.512, meaning that transformational leadership and job satisfaction jointly explain 51.2% of the variance in employee performance. These values indicate moderate explanatory power.

4.3.2. Path Coefficients and Hypothesis Testing

Table 6. Path Coefficients

Hypothesis	Relationship	Coefficient	t-Statistic	p-Value	Result
H1	Transformational Leadership → Employee Performance	0.321	3.845	0.000	Supported
H2	Transformational Leadership → Job Satisfaction	0.621	8.912	0.000	Supported
H3	Job Satisfaction → Employee Performance	0.452	5.276	0.000	Supported

Transformational leadership has a significant positive effect on employee performance ($\beta = 0.321, p < 0.05$), supporting H1. It also significantly influences job satisfaction ($\beta = 0.621, p < 0.05$), supporting H2. Furthermore, job satisfaction significantly affects employee performance ($\beta = 0.452, p < 0.05$), supporting H3. These findings confirm that transformational leadership plays a crucial role in enhancing both job satisfaction and employee performance.

4.3.3. Mediation Analysis

Table 7. Indirect Effect (Mediation Test)

Hypothesis	Relationship	Coefficient	t-Statistic	p-Value	Result
H4	Transformational Leadership → Job Satisfaction → Employee Performance	0.281	4.763	0.000	Supported

The indirect effect of transformational leadership on employee performance through job satisfaction is significant ($\beta = 0.281, p < 0.05$). This indicates that job satisfaction partially mediates the relationship between transformational leadership and employee performance. In other words, transformational leadership improves employee performance both directly and indirectly by enhancing job satisfaction.

4.3.4. Effect Size (f²)

Table 8. Effect Size

Relationship	f ² Value	Effect Size
TL → JS	0.621	Large

TL → EP	0.152	Medium
JS → EP	0.287	Medium

Transformational leadership has a large effect on job satisfaction, while its effect on employee performance is moderate. Job satisfaction also has a moderate effect on employee performance, reinforcing its important mediating role.

4.4. Summary of Results

Overall, the results indicate that transformational leadership significantly influences employee performance and job satisfaction. Additionally, job satisfaction plays a crucial mediating role in strengthening the relationship between transformational leadership and employee performance. These findings suggest that organizations should emphasize transformational leadership practices to enhance both employee satisfaction and performance outcomes.

4.5. Discussion

This study aims to examine the impact of transformational leadership on employee performance and job satisfaction, as well as the mediating role of job satisfaction in the relationship between transformational leadership and employee performance. The findings provide strong empirical support for all proposed hypotheses, indicating that transformational leadership plays a significant role in enhancing both employee attitudes and performance outcomes. This section discusses the results in detail by linking them to existing literature and theoretical perspectives.

The first finding reveals that transformational leadership has a positive and significant effect on employee performance. This result suggests that leaders who demonstrate transformational behaviors—such as inspiring a shared vision, providing intellectual stimulation, and offering individualized support—can enhance employees’ ability to perform their tasks effectively. Employees under transformational leaders tend to feel more motivated and empowered, which leads to higher productivity and improved work outcomes. This finding is consistent with previous studies that highlight the importance of leadership style in shaping employee performance. For instance, recent research indicates that transformational leadership enhances employee performance by fostering intrinsic motivation and encouraging innovative thinking (Hamdan et al., 2024; Indriasari et al., 2023).

From a theoretical perspective, this result aligns with social exchange theory, which suggests that when employees perceive supportive and inspiring leadership, they are more likely to reciprocate with positive work behaviors, including improved performance. Transformational leaders build trust and emotional connections with employees, which in turn increases employees’ willingness to contribute beyond their formal job requirements. Therefore, the significant relationship between transformational leadership and employee performance highlights the importance of leadership practices in achieving organizational effectiveness.

The second finding demonstrates that transformational leadership has a strong positive effect on job satisfaction. This indicates that employees who perceive their leaders as transformational tend to experience higher levels of satisfaction with their jobs. Transformational leaders create a supportive work environment by recognizing employees’

contributions, encouraging participation, and addressing individual needs. As a result, employees feel valued and appreciated, which enhances their overall job satisfaction. This finding is consistent with prior research showing that transformational leadership significantly improves job satisfaction by fostering a positive organizational climate and strengthening leader–employee relationships (Zhang & Long, 2024; Putra, 2024).

The strong effect of transformational leadership on job satisfaction can also be explained through motivation theories, such as self-determination theory, which emphasizes the importance of fulfilling employees' psychological needs for autonomy, competence, and relatedness. Transformational leaders support these needs by empowering employees, encouraging skill development, and building meaningful relationships. Consequently, employees experience greater job satisfaction and emotional well-being. In the context of modern organizations, where employee expectations are increasingly focused on meaningful work and supportive leadership, this finding underscores the relevance of transformational leadership as a key driver of job satisfaction.

The third finding indicates that job satisfaction has a significant positive effect on employee performance. This suggests that satisfied employees are more likely to perform better in their roles. Employees who experience positive emotions toward their work tend to exhibit higher levels of motivation, commitment, and engagement, which contribute to improved performance outcomes. This finding supports the widely accepted notion in organizational behavior that job satisfaction is a critical determinant of employee performance. Previous studies have consistently shown that satisfied employees are more productive, less likely to be absent, and more willing to go beyond their job responsibilities (Hutagaluh & Indayani, 2024; Daneshmandi et al., 2023).

This relationship can be explained by the “happy–productive worker” hypothesis, which posits that employees who are satisfied with their jobs are more likely to demonstrate positive work behaviors and achieve higher performance levels. In addition, job satisfaction enhances employees' psychological attachment to the organization, leading to increased effort and persistence in completing tasks. Therefore, the significant effect of job satisfaction on employee performance highlights the importance of creating a work environment that promotes employee well-being.

The most important finding of this study is the mediating role of job satisfaction in the relationship between transformational leadership and employee performance. The results indicate that job satisfaction partially mediates this relationship, meaning that transformational leadership not only directly influences employee performance but also indirectly enhances performance through job satisfaction. This finding provides a more comprehensive understanding of how leadership affects employee outcomes.

The mediating role of job satisfaction suggests that transformational leadership improves employee performance by first influencing employees' attitudes and perceptions. When employees experience higher levels of job satisfaction due to supportive and inspiring leadership, they are more motivated to perform well. This indirect pathway highlights the importance of considering psychological factors when examining the impact of leadership on performance. The result is consistent with previous studies that identify job satisfaction as a key mechanism through which transformational leadership affects employee performance (Purnomo et al., 2024; Yaseen, 2025).

Furthermore, the partial mediation indicates that while job satisfaction plays a significant role, transformational leadership also has a direct effect on performance. This implies that leaders can influence performance both by shaping employee attitudes and by directly motivating and guiding employees. This dual effect reinforces the strategic importance of transformational leadership in organizational management.

From a practical perspective, the findings of this study have several important implications for organizations. First, organizations should invest in leadership development programs that promote transformational leadership behaviors. Training programs should focus on developing leaders' ability to inspire, motivate, and support employees. By enhancing leadership effectiveness, organizations can improve both employee satisfaction and performance.

Second, organizations should recognize the importance of job satisfaction as a key factor influencing performance. Efforts to improve job satisfaction—such as providing fair compensation, creating a positive work environment, and offering opportunities for career development—can lead to better performance outcomes. Since job satisfaction also mediates the relationship between leadership and performance, improving employee satisfaction can amplify the positive effects of transformational leadership.

Third, organizations should adopt a holistic approach to employee management by considering both leadership and psychological factors. While leadership plays a critical role, it is equally important to address employees' needs and expectations to ensure long-term organizational success. In today's competitive business environment, organizations that prioritize employee well-being and effective leadership are more likely to achieve sustainable performance.

Despite its contributions, this study has some limitations that should be acknowledged. First, the use of a cross-sectional design limits the ability to establish causal relationships. Future research could adopt a longitudinal approach to better understand the dynamic relationships between transformational leadership, job satisfaction, and employee performance over time. Second, the study relies on self-reported data, which may be subject to bias. Future studies could incorporate multiple data sources to enhance the validity of the findings.

In conclusion, this study provides strong evidence that transformational leadership significantly influences employee performance and job satisfaction, with job satisfaction playing a crucial mediating role. These findings contribute to the existing literature by offering a comprehensive understanding of the mechanisms through which leadership affects employee outcomes. More importantly, the study highlights the importance of adopting transformational leadership practices to enhance employee satisfaction and performance in modern organizations.

5. Conclusion

This study concludes that transformational leadership plays a crucial role in enhancing employee performance and job satisfaction within organizational settings. The findings demonstrate that transformational leadership has both a direct and significant positive effect on employee performance, as well as a strong influence on job satisfaction. Furthermore, job satisfaction itself significantly contributes to improving employee performance, confirming its

importance as a key behavioral outcome in the workplace. Importantly, this study also reveals that job satisfaction partially mediates the relationship between transformational leadership and employee performance, indicating that leaders not only influence performance directly but also indirectly through fostering positive employee attitudes. These results highlight the strategic importance of adopting transformational leadership practices to create a supportive and motivating work environment. Therefore, organizations are encouraged to develop leadership capabilities that emphasize inspiration, individual consideration, and employee empowerment to achieve higher levels of satisfaction and performance, ultimately leading to sustainable organizational success.

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