

# Unlocking Employee Potential: Exploring the Impact of Leadership, Work Environment, and Motivation on Performance in Indonesian Private Companies

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## ABSTRACT

This study investigates the influence of leadership style, work environment, and work motivation on employee performance, with job satisfaction serving as a mediating variable. Conducted within private companies in Indonesia, the research aims to provide insights into how organizational factors impact employee outcomes. Leadership style, particularly transformational leadership, was found to positively influence employee performance by fostering trust and motivation. A supportive work environment, including factors such as safety, comfort, and respect, also significantly enhanced performance outcomes. Work motivation, driven by both intrinsic and extrinsic factors, further contributed to increased employee effort and productivity. Job satisfaction emerged as a key mediating factor, with employees who reported higher satisfaction demonstrating better performance. The results highlight the importance of leadership adaptability, a positive work environment, and effective motivation strategies in improving employee performance. These findings are particularly relevant for HR practitioners and company leaders looking to enhance organizational competitiveness. Future research should explore additional factors such as training and development programs to provide a more comprehensive understanding of employee performance drivers.

**Keywords:** *leadership style, work environment, work motivation, job satisfaction, employee performance, private companies, Indonesia*

## 1. INTRODUCTION

In Indonesia's rapidly evolving and competitive business environment, private companies face increasing pressures to remain competitive, improve performance, and ensure long-term sustainability. In this context, human resources have emerged as one of the most valuable assets driving organizational success. Employees, being at the core of any organization's operations, directly influence the overall effectiveness, productivity, and innovation of a company. As businesses strive to remain agile and successful, understanding the factors that affect employee performance is crucial. Among the most influential factors are leadership style, work environment, and work motivation, all of which significantly contribute to how employees perform their roles and engage with their work.

Leadership style is one of the central determinants of employee performance. Transformational leadership, which emphasizes inspiring and motivating employees to achieve their highest potential, has been shown to have a particularly strong impact on both employee satisfaction and performance. Transformational leaders foster trust and commitment, which in turn can drive employees to exert greater effort in their work (Herawati & Wardhani, 2020). In addition to leadership, the work environment plays a crucial role in shaping employee productivity. A positive work environment, characterized by safety, comfort, respect, and open communication, can enhance both employee well-being and their willingness to contribute to organizational goals. Research has consistently shown that when employees feel safe and supported in their work environments, they are more likely to demonstrate higher levels of engagement and productivity (Idris et al., 2020).

Equally important is work motivation, which is often described as the internal drive that compels employees to pursue and achieve personal and organizational goals. Both intrinsic motivation (such as personal growth and job satisfaction) and extrinsic motivation (such as rewards and recognition) play critical roles in influencing an employee's behavior and performance. Motivated employees are more likely to put forth higher levels of effort, resulting in better performance outcomes (Purnomo et al., 2023). However, the relationships between leadership style, work environment, motivation, and employee performance are complex and not always direct. The presence of job satisfaction as a mediating factor is particularly significant. Job satisfaction reflects how employees feel about their work environment,

their tasks, and their roles within the company. When employees are satisfied with their jobs, they are more likely to engage in positive behaviors, such as greater commitment, cooperation, and overall better performance (Khasanah & Abadiyah, 2022).

Given the interplay of these variables, this study aims to explore how leadership style, work environment, and work motivation impact employee performance within private companies in Indonesia, with job satisfaction serving as an intervening or mediating variable. The research will provide insights into how these organizational factors can be optimized to improve performance and foster a more productive and satisfied workforce. The findings will be valuable for human resource practitioners and business leaders in formulating more effective strategies for managing and developing talent, improving employee satisfaction, and enhancing overall company performance.

Transformational leadership, in particular, is associated with higher employee satisfaction and productivity. Leaders who adopt this style tend to inspire and intellectually stimulate their employees, fostering a sense of ownership and trust (Bass & Riggio, 2006). On the other hand, transactional leadership focuses on clear structures, reward systems, and task completion, which can also be effective in certain organizational contexts. However, autocratic leadership styles are generally linked with lower job satisfaction and performance, as they often limit employee autonomy (Lussier & Achua, 2016).

H1: Leadership Style has a significant effect on Job Satisfaction.

In Indonesia's competitive private sector, creating a conducive work environment is not just a matter of compliance, but also a strategic move to retain talent and enhance productivity. Workplaces that prioritize employee comfort, safety, and interpersonal harmony often report higher engagement and lower turnover rates (Raziq & Maulabakhsh, 2015).

H2: Work Environment has a significant effect on Job Satisfaction.

Studies have shown that when employees are adequately motivated, they experience higher job satisfaction, which mediates the relationship between motivation and job performance (Gagné & Deci, 2005). Organizations that understand and nurture employee motivation can therefore expect more positive outcomes in terms of both individual and organizational performance.

H3: Work Motivation has a significant effect on Job Satisfaction.

Importantly, job satisfaction often serves as a mediating variable between organizational inputs (e.g., leadership style, work environment, and motivation) and performance outputs. When employees are satisfied with their job, they tend to be more engaged, more committed, and more productive, which ultimately enhances overall organizational performance.

H4: Job Satisfaction has a significant effect on Employee Performance.

Employees who perform well contribute to better customer satisfaction, innovation, and organizational growth. Conversely, low-performing employees can increase costs, reduce morale, and damage a company's reputation. Ensuring high performance requires more than just setting clear expectations; it involves fostering a work culture that encourages continuous improvement, feedback, and recognition.

## **2. RESEARCH METHODS**

This research investigates the influence of three key organizational factors—leadership style, work environment, and work motivation—as independent variables. These variables are expected to significantly influence employee perceptions and workplace behaviors. Job satisfaction is introduced as a mediating variable, positioned to explain the indirect relationship between the independent variables and the dependent variable, namely employee performance.

The sample size for this research is 105 respondents, determined using the guidelines suggested by Hair et al. (2014), which recommend a minimum ratio of 5–10 respondents per observed variable. Given the number of variables examined in this study, 105 participants are sufficient for reliable statistical analysis and interpretation. All responses will be recorded using a 5-point Likert scale, ranging from strongly disagree (1) to strongly agree (5). Data analysis will be conducted using SPSS version 22.0.

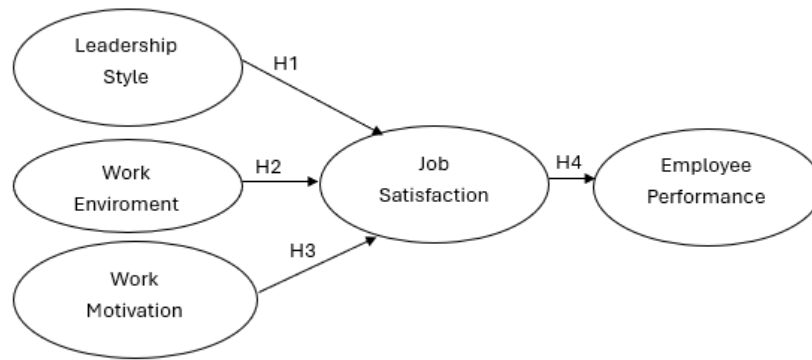


Figure 1. Research Model

### 3. RESULTS AND DISCUSSIONS

#### 3.1. Validity and Reliability Test

Validity and reliability testing is essential to ensure that the questionnaire items accurately measure the intended constructs and that the results are consistent. As shown in Table 1, all item-total correlations exceed the minimum r-value threshold of 0.196, and all variables have Cronbach's Alpha values above 0.60, indicating acceptable internal consistency.

Table 1. Validity and Reliability Test

Variable	Item Code	r_count	Cronbach Alpha	Criterion
Leadership Style (LS)	LS1	.712	.863	Valid
	LS2	.781		Valid
	LS3	.765		Valid
Work Environment (WE)	WE1	.793	.871	Valid
	WE2	.804		Valid
	WE3	.766		Valid
Work Motivation (WM)	WM1	.731	.855	Valid
	WM2	.719		Valid
	WM3	.748		Valid
Job Satisfaction (JS)	JS1	.776	.882	Valid
	JS2	.792		Valid
	JS3	.801		Valid
Employee Performance (EP)	EP1	.824	.895	Valid
	EP2	.809		Valid
	EP3	.816		Valid

#### 3.2 T-Test and Coefficient Regression

The results of the T-test in Table 2 indicate that all four hypotheses are accepted. Specifically, all significance values (p-values) are below 0.05, indicating that each of the independent variables—Leadership Style, Work Environment, Work Motivation, and Job Satisfaction—has a significant impact on Employee Performance.

Table 2. T-Test

Variable	Sig.	Coefficient Regression	Information
Leadership Style (LS)	0.035	0.215	Hypothesis Accepted

Work Environment (WE)	0.004	0.275	Hypothesis Accepted
Work Motivation (WM)	0.014	0.142	Hypothesis Accepted
Job Satisfaction (JS)	0.000	0.501	Hypothesis Accepted

#### 4. CONCLUSION

This study examines the key factors influencing employee performance, focusing on leadership style, work environment, work motivation, and job satisfaction as a mediating variable. The findings underscore the importance of these elements in shaping the overall performance of employees, particularly within private companies in Indonesia.

Leadership style, especially transformational leadership, plays a crucial role in enhancing employee performance by fostering trust and motivation. To improve leadership effectiveness, organizations can invest in leadership development programs that emphasize transformational leadership skills such as communication, vision-setting, and emotional intelligence. Additionally, providing regular feedback and creating opportunities for leaders to engage with their teams can further strengthen the trust and motivation required for higher performance. Future research could explore how different leadership styles, beyond just transformational leadership, influence performance in diverse organizational contexts.

The work environment was also found to significantly contribute to employee performance. Factors such as safety, comfort, and respect in the workplace create a foundation for enhanced productivity. Organizations can improve their work environment by ensuring proper workplace ergonomics, offering flexible working conditions, and implementing clear health and safety protocols. Providing resources for stress management and promoting a work-life balance are also essential to creating a conducive environment for optimal performance. Further studies could assess the impact of digital workspaces and remote work on employee performance and satisfaction, given the changing nature of the work environment.

Work motivation, driven by both intrinsic and extrinsic factors, was another key driver of employee performance. To improve motivation, companies can offer tailored incentive programs that address both intrinsic motivators, such as personal growth and achievement, and extrinsic motivators, such as financial rewards and recognition. Additionally, fostering a culture of autonomy and providing employees with opportunities for skill development can enhance intrinsic motivation. Future research might explore the role of motivation strategies across different cultural contexts to determine whether universally applicable frameworks exist.

Job satisfaction was identified as a vital mediating factor between leadership style, work environment, and work motivation, and employee performance. To improve job satisfaction, organizations should focus on aligning job roles with employees' skills and interests, ensuring fair compensation, and providing a clear path for career development. Regular employee engagement surveys and feedback mechanisms can help organizations assess satisfaction levels and identify areas for improvement. Further studies could investigate the influence of other variables, such as organizational justice and trust in leadership, on job satisfaction and its subsequent impact on performance.

Finally, this study provides actionable insights for HR practitioners and organizational leaders seeking to enhance employee performance. Key areas for improvement include refining leadership strategies, creating a supportive work environment, implementing effective motivation programs, and fostering job satisfaction. Future research should continue to explore the interplay between these variables and examine other factors, such as training and development programs, that can further elevate employee performance in diverse organizational settings.

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