The Influence of Leadership Style and Work Environment on Employee Performance with Work Motivation as Mediator

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Abstract.
This study aims to examine the influence of leadership style and work environment on employee motivation and performance at the Ministry of Villages and Development of Disadvantaged Regions. This study was completed in 2025. Data collection was conducted by distributing online questionnaires using Google Forms to employees of the Village Investment Services Directorate at the Ministry of Villages. To determine respondents, this study used a purposive sampling method with the criteria of being active employees at the Ministry of Villages and Development of Disadvantaged Regions, having a minimum of one year of service, and being directly involved in administrative service activities. The total number of respondents used in this study was 160. This study used the SEM-PLS method to test the proposed hypothesis. The results of the study include a positive and significant effect of leadership style on employee performance and work motivation, and a positive and significant effect of work environment on employee performance and work motivation. In addition, work motivation positively influences employee performance, and is able to mediate the relationship between leadership style and employee performance, as well as mediating the relationship between work environment and employee performance.
Keywords: *Employee performance, leadership style, work motivation and work environment*

I. INTRODUCTION

In facing the demands of bureaucratic reform and public service transformation, government organizations are required not only to improve performance but also to build work systems that support innovation and sustainable work motivation[1]. At the Ministry of Villages and Development of Disadvantaged Regions, service success is highly dependent on the quality of human resources, particularly in terms of work motivation and leadership effectiveness. Employee performance is a key indicator of organizational effectiveness and productivity, influenced by various factors such as leadership style, work motivation, organizational culture, and the work environment [2].

An effective leadership style can direct, inspire, and motivate employees to achieve optimal performance. However, several studies have shown varying results, with transformational leadership not always having a significant impact on employee performance, while organizational culture and work motivation have been shown to have a positive influence on performance improvement [3]. When employees feel supported to work independently and have the freedom to make decisions, they tend to be more enthusiastic, responsible, and productive in completing their tasks [4].

Empowering leadership styles, such as empowering leadership, have been shown to support the creation of autonomous work motivation. Leaders who provide space for participation, encourage individual growth, and demonstrate confidence in the abilities of subordinates indirectly strengthen employees' intrinsic drive for high performance [5]. Previous research has shown that when employees feel empowered, they demonstrate greater work engagement and better performance [6]. In addition to leadership, work environment factors also play a crucial role in shaping work motivation.

A work environment that supports personal and collaborative development fosters emotional engagement and job satisfaction [7]. Therefore, organizations need to balance incentive systems with work values that support employee autonomy and psychological well-being[8].Work motivation is a crucial element in driving employee engagement and productivity, especially when that motivation is autonomous or originates from within the individual. Work motivation significantly influences employee performance [9], and work motivation can be an important mediator in strengthening this relationship. Meanwhile, organizational culture and a supportive work environment have also been shown to influence the extent to

which employees can engage and perform optimally [10].

Leadership style is also a crucial factor in creating a work environment that supports motivation and performance[11]. Transformational leadership, for example, is generally expected to build strong interpersonal relationships and encourage intrinsic motivation in employees [12]. Employee performance is influenced not only by the technical aspects of the job, but also by behavioral and psychological factors within the organization. One important factor influencing employee performance is leadership style [13].

Employee performance is a key factor in determining the success of public sector organizations in providing effective, efficient, and accountable services to the public, thus improving performance is a priority in human resource management [14]. An effective leadership style can direct, inspire, and motivate employees to achieve organizational goals, thus becoming an important determinant in improving employee performance [15].

In addition to leadership, a conducive work environment, both physical and non-physical, plays a role in creating a comfortable work environment that can encourage employee productivity and effectiveness. On the other hand, work motivation is a psychological factor that acts as an important mechanism in bridging the influence of leadership style and work environment on improving employee performance [16].

However, most previous studies have been conducted in the context of the private sector or Western organizational cultures. Research focusing on government bureaucracy in Indonesia, particularly on units directly involved in village investment services, is still very limited. The Indonesian bureaucratic environment has its own characteristics, often hierarchical, structured. Therefore, this study aims to examine how leadership style and work environment influence employee work motivation and performance, as relevant variables in the context of government organizations in Indonesia[1], [17].

II. METHODS

This research used a quantitative approach with a descriptive and causal design. This study employed a quantitative causal-associative research design to investigate the relationships among Leadership Style (X_1), Work Environment (X_2), Work Motivation (Y_1), and Employee Performance (Y_2). Data were collected through an online questionnaire using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), distributed to employees of the Directorate of Village Investment Services, Ministry of Villages and Development of Disadvantaged Regions, Indonesia.

The measurement items were adapted from validated scales developed by [18], [19], A purposive sampling technique was applied to select active employees with a minimum of one year of work experience, yielding a final sample of 160 respondents in accordance with the recommendation of [20] for PLS-SEM analysis.

The data were analyzed using SmartPLS 4 following a two-stage approach involving the assessment of the measurement model and the structural model. The measurement model (outer model) was evaluated using outer loadings > 0.7, AVE > 0.5, Cross Loadings, Composite Reliability (CR), and Cronbach's Alpha > 0.7. The structural model (inner model) was assessed using R-Square and SRMR (<0.10). Hypothesis testing was conducted using path coefficients, t-statistics, and p-values through bootstrapping. The hypothesis was accepted if the t-statistic was >1.96 and the p-value <0.05. The analysis included the direct influence between variables and the mediating role of Work Motivation.
A pretest was conducted to verify the validity and reliability of the research instrument.

Construct validity testing refers to the Pearson Correlation value, with a minimum threshold of 0.50 for an indicator to be considered valid. Based on the calculations, all indicators for each variable leadership style, work environment, work motivation, and employee performance had correlation values above 0.50, ranging from 0.760 to 0.935, and were significant at the 0.01 level (2-tailed). Therefore, all indicators were declared valid and suitable for use in further analysis. Furthermore, reliability testing was conducted using Cronbach's Alpha, where values between 0.7 and 0.8 are considered acceptable. Based on the data processing results, all constructs had high Cronbach's Alpha values, ranging from 0.888 to 0.923, exceeding the minimum threshold. This indicates that all items in the questionnaire have good internal consistency, thus concluding that all indicators in this study are reliable and can be used for further analysis[21].

III. RESULT AND DISCUSSION

This study Based on the survey results obtained from 160 respondents, it is known that most respondents are female at 48.1%, while men at 51.9%. In terms of age, most respondents are in the age range of 18-28 years at 26.9%, followed by 29-44 years at 43.1%, then 45-60 years at 30%. When viewed from the last level of education, respondents are dominated by Bachelor's (S1) graduates at 53.8%, followed by Masters (S2) at 31.9%, Diploma (D3/D4) at 7.5%, High School/Vocational High School equivalent at 4.4%, and Doctorate (S3) at 2.5%. All respondents work at the Ministry of Villages and Development of Disadvantaged Regions at 100%. Based on length of service, most respondents have 1-5 years of work experience at 30.6%, followed by those who have worked for more than 10 years at 30%. Meanwhile, respondents with 6–10 years of experience were 26.2%, and those with less than 1 year were the fewest, namely 13.1%.

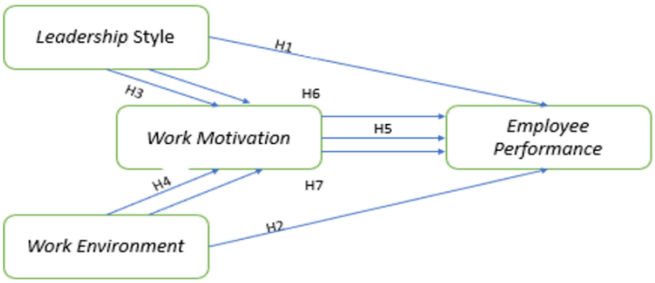


Fig. 1. Model Modification

Furthermore, the results of the discriminant validity analysis were conducted by referring to cross-loading. These findings indicate that each construct in this study has met the requirements for reliability, convergent validity, and discriminant validity.

Thus, these constructs are considered suitable for integration into the analyzed structural model. Based on the results of the inner model analysis, the coefficient of determination (R^2) shows that Work Motivation has a value of 0.750 and Employee Performance is 0.701, which indicates that the model has very strong predictive ability. From the results of the significance test, the relationship between Leadership Style and Employee Performance has a p-value of 0.006, making it significant.

Meanwhile, Work Environment has a significant effect on Work Motivation (p-value 0.000), and Work Motivation has a significant effect on Employee Performance (p-value 0.001). In addition, Work Environment also has a significant direct effect on Employee Performance (p-value 0.000). Thus, it can be concluded that all relationships between variables are significant.

	R-square	R-square adjusted
EP	0,701	0,696
WM	0,750	0,747

Fig. 2. R- square

Variables	Indicator	*Outer Loading > 0,7*	*Cronbach's Alpha > 0,6*	*Composite Reliability > 0,7*	*AVE > 0,5*
Employee Performance	EP1	0,893	0,921	0,941	0,761
	EP2	0,876			
	EP3	0,865			
	EP4	0,853			
	EP5	0,872			
Leadership Style	LS1	0,863	0,910	0,933	0,736
	LS2	0,865			
	LS3	0,856			
	LS4	0,854			
	LS5	0,853			
Work	WE1	0,876	0,925	0,943	0,769

Environment	WE2	0,879			
	WE3	0,895			
	WE4	0,849			
	WE5	0,886			
Work Motivation	WM1	0,855	0,902	0,927	0,718
	WM2	0,870			
	WM3	0,855			
	WM4	0,824			
	WM5	0,831			

Fig. 3. Results of Measurement Model Evaluation

The coefficient of determination (R^2) results indicate that the proposed model has strong explanatory power. Employee Performance achieved an R^2 value of 0.701 (Adjusted R^2 = 0.696), indicating that 70.1% of the variance in employee performance is explained by Leadership Style, Work Environment, and Work Motivation, while the remaining 29.9% is attributable to factors outside the model. Work Motivation obtained an R^2 value of 0.750 (Adjusted R^2 = 0.747), suggesting that 75.0% of its variance is explained by Leadership Style and Work Environment. According to the criteria proposed by [20], these R^2 values indicate substantial explanatory power, demonstrating that the structural model is robust and suitable for subsequent hypothesis testing, including the assessment of both direct and indirect (mediating) effects.

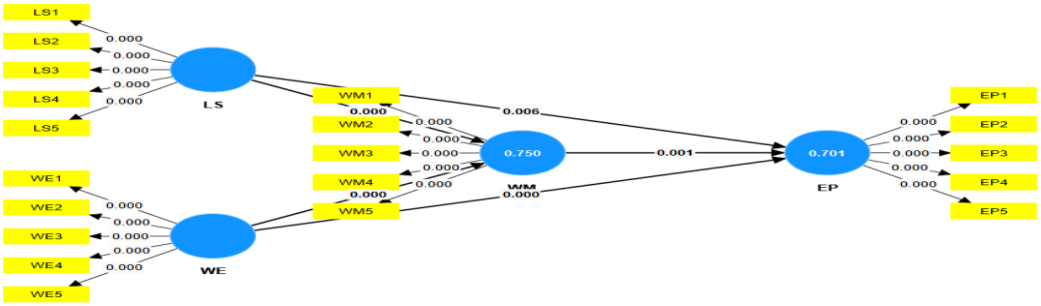


Fig. 4. Inner Model

	EP	LS	WE	WM
EP				
LS	0,058			0,787
SWE	0,221			0,610
WM	0,097			

Fig 2. F- square

The effect size (f^2) analysis indicates varying contributions of the exogenous variables to the endogenous variables. Based on Cohen's classification, where f^2 values of 0.02, 0.15, and 0.35 represent small, medium, and large effects, respectively, the effect of Leadership Style on Employee Performance (f^2 = 0.058) was categorized as small, indicating a limited contribution. In contrast, Leadership Style had a large effect on Work Motivation (f^2 = 0.785), demonstrating its substantial role in enhancing employees' motivation.

The effect of Work Environment on Employee Performance (f^2 = 0.221) was moderate, while its effect on Work Motivation (f^2 = 0.610) was large, suggesting that a supportive work environment strongly promotes employee motivation. Furthermore, Work Motivation showed a small effect on Employee Performance (f^2 = 0.097), indicating a modest contribution to performance improvement. Overall, the findings suggest that Work Motivation is the endogenous variable most strongly influenced by Leadership Style and Work Environment within the proposed research model

IV. CONCLUSION

Referring to the data analysis and previous discussion, this study yields several key conclusions. This study aims to examine the influence of leadership style and work environment on employee performance, with work motivation as the mediator, at the Ministry of Villages and Development of Disadvantaged Regions.

Based on the results of the PLS-SEM analysis of 160 respondents, the findings of this study demonstrate that Leadership Style and Work Environment have significant positive effects on Employee Performance and Work Motivation. Effective leadership and a supportive work environment contribute to higher levels of employee motivation, which in turn enhances employee performance.

Furthermore, Work Motivation significantly influences Employee Performance and serves as a mediating variable that strengthens the effects of Leadership Style and Work Environment on performance. The effect size analysis indicates that Leadership Style has the strongest influence on Work Motivation, whereas Work Environment exhibits the greatest direct effect on Employee Performance. Although the direct effect of Leadership Style on Employee Performance is relatively weak, its indirect effect through Work Motivation is substantial, suggesting that effective leaders improve performance primarily by fostering employees' motivation rather than through direct supervision alone.

Overall, the proposed research model demonstrates strong predictive power, explaining more than 70% of the variance in both Work Motivation and Employee Performance, thereby confirming its robustness in explaining employee performance within the public sector context

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