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The Effect of Transformational Leadership on Employee Performance: The Mediating Role of Job Satisfaction

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Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh kepemimpinan transformasional terhadap kinerja pegawai dengan kepuasan kerja sebagai variabel mediasi pada pegawai penyidik di Direktorat Penindakan dan Penyidikan Direktorat Jenderal Bea dan Cukai. Menggunakan pendekatan kuantitatif deskriptif, data dianalisis menggunakan Structural Equation Modeling (SEM) berbasis LISREL. Hasil pengujian hipotesis menunjukkan bahwa kepemimpinan transformasional berpengaruh positif dan signifikan secara langsung terhadap kinerja pegawai (koefisien = 0,56 ; t-value = 3,41 ≥ 1,96). Kepuasan kerja terbukti berperan secara signifikan sebagai variabel mediasi yang menjembatani hubungan antara kepemimpinan transformasional terhadap kinerja pegawai penyidik. Temuan ini menunjukkan bahwa, penerapan gaya kepemimpinan transformasional yang efektif tidak hanya mendongkrak performa kerja pegawai secara langsung, tetapi juga bekerja secara tidak langsung melalui penguatan kepuasan kerja mereka.

Kata Kunci: *Kepemimpinan Transformasional, Kepuasan Kerja, Kinerja Pegawai, Bea dan Cukai.*

Abstract

This study aims to analyze the effect of transformational leadership on employee performance, with job satisfaction as a mediating variable, among investigators at the Directorate of Enforcement and Investigation, Directorate General of Customs and Excise. Using a descriptive quantitative approach, data were analyzed using LISREL-based Structural Equation Modeling (SEM). The hypothesis testing indicates that transformational leadership has a direct, positive, and significant effect on employee performance (coefficient = 0.56; t-value = 3.41 ≥ 1.96). Furthermore, job satisfaction is proven to significantly act as a mediating variable in bridging the relationship between transformational leadership and investigator performance. This study shows that, the effective implementation of a transformational leadership style not only directly boosts employee work performance but also operates indirectly by strengthening their job satisfaction.

Keywords: *Transformational Leadership, Job Satisfaction, Employee Performance, Customs and Excise.*

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INTRODUCTION

Human resources are among the most important factors determining organizational success because they serve not only as the executors of operational activities but also as the primary drivers of organizational goal attainment. From the perspective of modern management, human resources are no longer viewed merely as labor but as strategic assets that create added value through employees' knowledge, skills, competencies, and capabilities (Armstrong & Taylor, 2018; Dessler, 2020). Organizational success is therefore determined not only by technological sophistication, financial resources, or adequate facilities, but also by the quality of the individuals who manage those resources. This issue is particularly important in public sector organizations, which are responsible for delivering public services, performing governmental functions, and safeguarding the interests of society and the state (Stahl et al., 2020; Noe et al., 2025).

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Employee performance is one of the key indicators used to assess the effectiveness of human resource management. It reflects employees' ability to perform their duties in accordance with the responsibilities, targets, and standards established by the organization. Employees with high levels of performance are generally able to complete their tasks in a timely manner, produce high-quality outputs, and contribute meaningfully to the achievement of organizational objectives. Conversely, inadequate performance may hinder the execution of organizational activities, reduce institutional effectiveness, and negatively affect the quality of services delivered to the public. Employee performance can be influenced by various individual and organizational factors, one of which is the leadership style adopted by managers in directing and managing their subordinates (Aguinis, 2019; Robbins & Judge, 2022).

Transformational leadership is a leadership style that emphasizes a leader's ability to inspire, motivate, and develop subordinates' potential in pursuit of organizational goals. Transformational leaders are not solely focused on achieving performance targets but also strive to build a shared vision, encourage creativity, strengthen employees' self-confidence, and foster commitment to the organization. Transformational leadership comprises four main dimensions, namely *idealized influence*, *inspirational motivation*, *intellectual stimulation*, and *individualized consideration* (Bass & Avolio, 1994; Bass & Riggio, 2006). Through these dimensions, leaders are expected to serve as role models, provide motivation, encourage employees to develop innovative approaches to their work, and attend to the individual needs and professional development of their subordinates. The implementation of transformational leadership may improve employee performance, although such influence does not always occur directly. Leadership that provides support, recognition, development opportunities, and a conducive work environment can foster employees' positive feelings toward their jobs. These positive feelings are reflected in job satisfaction, which refers to an emotional state indicating employees' level of comfort, enjoyment, and attachment to their work and organization (Luthans, 2011). Employees with high job satisfaction tend to demonstrate stronger commitment, greater responsibility, and a greater willingness to deliver their best performance. Accordingly, job satisfaction may serve as a psychological mechanism through which transformational leadership contributes to improved employee performance.

The relationship among transformational leadership, job satisfaction, and employee performance is increasingly relevant in public sector organizations. Members of the public have become more critical in evaluating public services based on their speed, accuracy, professionalism, transparency, and accountability. These conditions require public officials not only to possess technical competence but also to demonstrate integrity, commitment, adaptability, and readiness to respond to changes in the work environment (Mozin et al., 2025). Public sector organizations therefore require leaders who are capable not only of performing administrative functions but also of acting as agents of change, developing employees' competencies, strengthening organizational commitment, and creating a work climate that supports improved performance. The Directorate General of Customs and Excise is one of the strategic institutions under the Ministry of Finance of the Republic of Indonesia. It performs several important functions as a *revenue collector*, *trade facilitator*, *industrial assistance provider*, and *community protector* within the national economic system (Ministry of Finance, 2023). In addition to securing state revenue and facilitating international trade, the Directorate General of Customs and Excise is responsible for supervising the movement of goods entering and leaving Indonesia's customs territory to prevent smuggling and various forms of illegal trade (World Customs Organization, 2022). The complexity of these responsibilities has increased along with technological developments, growing volumes of global trade, and the emergence of increasingly sophisticated and organized modes of

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violation. These conditions require customs and excise employees to work adaptively, professionally, accurately, and with a high level of integrity.

Complex work demands are particularly evident among employees of the Directorate of Enforcement and Investigation. This unit is directly involved in intelligence gathering, enforcement operations, goods inspections, evidence collection, and investigations into customs and excise violations. Its responsibilities are not limited to administrative work but also involve operational activities that are high-risk and often conducted under unpredictable conditions. Employees are therefore required to demonstrate accuracy in analyzing data, courage in making decisions, the ability to work under pressure, and consistency in maintaining integrity. Under such conditions, leadership effectiveness and employees' psychological states, including their level of job satisfaction, become important factors in supporting the successful implementation of enforcement and investigative duties.

To improve the quality of its human resources, the Directorate General of Customs and Excise has implemented Bureaucratic Reform and Institutional Transformation programs through competency development, merit-based management, organizational culture reinforcement, performance management, and the implementation of a learning organization. According to the Directorate General of Customs and Excise Performance Report, the achievement of the Bureaucratic Reform and Institutional Transformation program reached 98.36% against a target of 87.5%, while the implementation score for the learning organization reached 93.73 against a target of 77 (Directorate General of Customs and Excise, 2024). These achievements demonstrate the organization's commitment to developing professional and adaptive human resources. Nevertheless, the existence of institutional policies and transformation programs does not necessarily indicate that transformational leadership practices have been implemented consistently and optimally across all work units. Leadership implementation may vary depending on the characteristics of individual leaders, subordinates, and the work environment within each unit.

Previous studies have investigated the relationships among transformational leadership, job satisfaction, and employee performance. However, the findings remain inconsistent. Some studies have demonstrated that transformational leadership directly affects employee performance, whereas others have suggested that the effect becomes stronger or only emerges when job satisfaction is included as a mediating variable. In addition, most previous studies have been conducted in private sector organizations or general public service institutions. Research specifically examining these relationships within law enforcement organizations, particularly in the Directorate of Enforcement and Investigation of the Directorate General of Customs and Excise, remains relatively limited. The high-risk nature of the work, considerable job pressure, strong integrity requirements, and complexity of investigative procedures distinguish this organizational context from many other institutional settings.

This research gap highlights the need for an empirical examination of the mechanism linking transformational leadership and employee performance within the context of a law enforcement organization. This study positions job satisfaction as a mediating variable to determine whether leaders' ability to provide role modeling, inspiration, intellectual stimulation, and individualized attention can enhance employees' job satisfaction, which may subsequently improve their performance. Therefore, this study aims to analyze the effect of transformational leadership on employee performance and to examine the mediating role of job satisfaction in the relationship between transformational leadership and employee performance among employees of the Directorate of Enforcement and Investigation of the Directorate General of Customs and Excise.

E-ISSN : 2962-9713
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METHOD

Research Design

This study employed a quantitative explanatory design using a cross-sectional survey. The design was selected to examine the direct effect of transformational leadership on employee performance and the indirect effect transmitted through job satisfaction. Data were collected at a single point in time using a structured questionnaire administered to customs and excise investigators.

The study consisted of three latent variables: transformational leadership as the independent variable, job satisfaction as the mediating variable, and employee performance as the dependent variable. The hypothesized relationships among these constructs were analyzed using covariance-based Structural Equation Modeling (CB-SEM) with LISREL. This analytical approach was considered appropriate because it allows the simultaneous assessment of the measurement model, structural relationships, and mediation effects among latent constructs.

Population and Sample

The study population comprised approximately 800 active investigators employed within the Directorate General of Customs and Excise of the Ministry of Finance of the Republic of Indonesia. These employees were selected as the unit of analysis because they are directly involved in customs and excise enforcement and investigation activities, including information collection, legal analysis, case handling, and operational decision-making.

Respondents were selected using purposive sampling based on predetermined eligibility criteria. To participate in the study, respondents were required to: (1) be active investigators at the Directorate General of Customs and Excise; (2) have at least five years of work experience; (3) work under the supervision of an immediate superior; (4) be assigned to the head office, a main service office, or a regional office; (5) work in an enforcement and investigation unit; and (6) voluntarily agree to participate and complete the questionnaire. The minimum sample size was calculated using Slovin's formula:

$$n = \frac{N}{1 + N(e)^2}$$

Where *n* represents the required sample size, *N* represents the population size, and eee represents the tolerated sampling error. With an estimated population of 800 employees and a 5% margin of error, the minimum required sample was calculated as follows:

$$n = \frac{800}{1 + 800(0.05)^2} = 266.67$$

The value was rounded to 267 respondents. This sample size was also considered adequate for SEM analysis because it exceeded the minimum recommendation of five to ten observations per estimated indicator or parameter (Hair et al., 2019).

Data Collection Procedure

The study used primary data obtained directly from eligible respondents. Data were collected through a structured questionnaire distributed both directly and electronically. Before completing the questionnaire, respondents were informed of the study's academic purpose and the voluntary nature of their participation.

E-ISSN : 2962-9713
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The questionnaire consisted of statements measuring transformational leadership, job satisfaction, and employee performance. Respondents evaluated each statement using a five-point Likert scale ranging from 1 (*strongly disagree*) to 5 (*strongly agree*). Higher scores indicated more positive perceptions of the respective constructs. Only questionnaires completed by respondents who met the eligibility criteria and provided complete responses were included in the analysis. Responses with substantial missing information or invalid response patterns were excluded from further analysis.

Measurement of Variables

Transformational leadership was operationalized as leadership behavior that inspires, motivates, intellectually stimulates, and provides individualized support to employees. The construct was measured using four dimensions adapted from Bass and Riggio (2006): *idealized influence*, *inspirational motivation*, *intellectual stimulation*, and *individualized consideration*. Job satisfaction referred to employees' affective and evaluative responses to their work and organizational environment. It was measured using five dimensions adapted from Luthans (2011): satisfaction with the work itself, pay, supervision, co-workers, and promotion or career development opportunities. Employee performance was defined as the extent to which investigators accomplished their duties in accordance with organizational standards and responsibilities. It was assessed through five dimensions: work quality, work quantity, timeliness, cost effectiveness, and independence in completing assigned responsibilities. To maintain consistency with the theoretical framework, these dimensions were based on the performance framework of Bernardin and Russell (2013).

Table 1. Operationalization of Variables

Construct	Operational definition	Dimensions
Transformational leadership	Leadership behavior that inspires, motivates, intellectually stimulates, and individually supports employees in achieving organizational objectives	Idealized influence; inspirational motivation; intellectual stimulation; individualized consideration
Job satisfaction	Employees' overall affective and cognitive evaluation of their jobs and work environment	Work itself; pay; supervision; co-workers; promotion and career development
Employee performance	The extent to which employees complete their duties effectively and in accordance with organizational standards	Work quality; work quantity; timeliness; cost effectiveness; independence

All measurement items were evaluated using a five-point Likert scale ranging from 1 (*strongly disagree*) to 5 (*strongly agree*).

Measurement Model Assessment

The measurement model was evaluated to determine whether the observed indicators adequately represented their respective latent constructs. Construct validity was assessed through convergent and discriminant validity tests. Convergent validity was evaluated using standardized factor loadings and average variance extracted (AVE). An indicator was considered acceptable when its standardized loading was at least 0.50 and preferably greater than 0.70. An AVE value of at least 0.50 indicated that a construct explained more than half of the variance in its indicators (Hair et al., 2019).

Discriminant validity was assessed by comparing the square root of the AVE of each construct with its correlations with other constructs, following the Fornell–Larcker criterion. Discriminant validity was established when the square root of a construct's AVE exceeded its correlations with the remaining constructs (Fornell & Larcker, 1981). Cross-loadings were also examined to ensure that each indicator loaded more strongly on its intended construct

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than on other constructs. Internal consistency reliability was assessed using Cronbach's alpha and construct or composite reliability. Values of 0.70 or higher were considered indicative of satisfactory reliability (Hair et al., 2019).

Data Analysis

Data analysis was conducted in two stages. First, descriptive statistics were used to summarize respondents' characteristics and the distribution of responses for each variable. The data were also screened for missing values, outliers, and potential response irregularities before the structural analysis was performed. Second, covariance-based Structural Equation Modeling was conducted using LISREL. The analysis involved two interrelated components: the measurement model and the structural model. Confirmatory Factor Analysis was used to evaluate the validity and reliability of the measurement model, whereas the structural model was used to examine the hypothesized relationships among transformational leadership, job satisfaction, and employee performance. Because CB-SEM commonly uses maximum likelihood estimation, multivariate normality was assessed through skewness, kurtosis, and multivariate normality statistics. Where deviations from normality were identified, robust estimation procedures or bootstrapping were applied to obtain more reliable standard errors and significance estimates. Potential multicollinearity was assessed using tolerance and Variance Inflation Factor values. A tolerance value greater than 0.10 and a VIF value below 5.00 indicated that multicollinearity was not a serious concern. However, conventional regression-based heteroskedasticity testing was not treated as a principal requirement of the latent-variable SEM model.

Model Fit Assessment

The overall fit of the hypothesized model was evaluated using multiple goodness-of-fit indices rather than relying on a single criterion. The indices included the chi-square statistic relative to the degrees of freedom (χ^2/df), Root Mean Square Error of Approximation (RMSEA), Standardized Root Mean Square Residual (SRMR), Comparative Fit Index (CFI), Tucker–Lewis Index (TLI), Goodness-of-Fit Index (GFI), and Adjusted Goodness-of-Fit Index (AGFI). A χ^2/df value below 3.00 indicated a satisfactory fit, although values below 5.00 were considered acceptable. RMSEA and SRMR values below 0.08 indicated an acceptable fit, while values below 0.05 represented a close fit. CFI and TLI values of at least 0.90 indicated an acceptable model, with values of 0.95 or higher representing a strong fit. Model evaluation was based on the overall pattern of fit indices and theoretical plausibility rather than on one threshold alone.

Hypothesis and Mediation Testing

The direct effect of transformational leadership on employee performance was evaluated using standardized path coefficients, critical ratios or ttt-values, and corresponding probability values. A relationship was considered statistically significant when the absolute ttt-value exceeded 1.96 and the ppp-value was below 0.05. The mediating role of job satisfaction was tested by estimating the indirect effect of transformational leadership on employee performance through job satisfaction. Bootstrapping was used to generate confidence intervals for the indirect effect. Mediation was considered significant when the bootstrapped confidence interval did not include zero.

The direct, indirect, and total effects were subsequently compared to determine the nature of the mediation. Partial mediation was established when both the direct and indirect effects remained statistically significant, whereas full mediation was indicated when the indirect effect was significant but the direct effect became statistically non-significant after job satisfaction was incorporated into the model.

E-ISSN : 2962-9713
P-ISSN : 2963-928X

RESULTS AND DISCUSSION

Respondent Characteristics

A total of 267 valid questionnaires were included in the analysis. The respondents consisted of investigators employed by the Directorate General of Customs and Excise who met the predetermined sampling criteria. Table 1 summarizes the demographic characteristics of the respondents, including gender, age, and years of service.

Table 1. Demographic Characteristics of Respondents (n = 267)

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	157	58.8
	Female	110	41.2
Age (years)	20–25	68	25.5
	26–30	111	41.6
	31–35	53	19.9
	36–40	17	6.4
	>40	18	6.7
Years of Service	1–3 years	106	39.7
	4–6 years	83	31.3
	7–10 years	49	18.4
	>10 years	29	10.9

Source: Primary data processed by the authors (2026).

Table 1 indicates that the majority of respondents were male (58.8%), aged 26–30 years (41.6%), and had 1–3 years of work experience (39.7%). Overall, the sample reflects a workforce dominated by relatively young investigators in the early stages of their professional careers, suggesting a respondent profile with high potential for organizational adaptation and professional development.

Measurement Model Assessment

Before testing the structural relationships among the constructs, the measurement model was evaluated to ensure that the research instrument satisfied the requirements of validity and reliability. Instrument validity was assessed using item-total correlation coefficients, whereas reliability was examined using Cronbach's alpha.

1. Validity Test

The validity assessment demonstrated that all questionnaire items exceeded the minimum correlation threshold ($r > 0.113$), indicating that every indicator adequately represented its intended construct. Therefore, all measurement items were retained for subsequent analyses.

Table 2. Summary of Validity Test Results

Construct	Number of Items	Criterion	Result
Transformational Leadership	12	r > 0.113	Valid
Job Satisfaction	15	r > 0.113	Valid
Employee Performance	12	r > 0.113	Valid

Source: Processed using SPSS (2026).

2. Reliability Test

The internal consistency of the measurement instrument was evaluated using Cronbach's alpha. As shown in Table 3, all constructs produced Cronbach's alpha values above the recommended threshold of 0.70, indicating satisfactory internal consistency and confirming that the measurement instrument was reliable for hypothesis testing.

E-ISSN : 2962-9713
P-ISSN : 2963-928X

Table 3. Reliability Test Results

Construct	Cronbach's Alpha	Interpretation
Transformational Leadership	0.880	Reliable
Job Satisfaction	0.907	Reliable
Employee Performance	0.884	Reliable

Source: Processed using SPSS (2026).

The highest internal consistency was observed for Job Satisfaction (α = 0.907), followed by Employee Performance (α = 0.884) and Transformational Leadership (α = 0.880). These values indicate that all constructs possess excellent measurement reliability and are appropriate for subsequent structural equation modeling analyses.

Descriptive Statistics

Descriptive statistics were calculated to provide an overview of respondents' perceptions regarding transformational leadership, job satisfaction, and employee performance before conducting structural model analysis. The mean scores were calculated using a five-point Likert scale, where higher values indicate more favorable perceptions of each construct. Table 4 summarizes the descriptive statistics of the three latent variables.

Table 4. Descriptive Statistics of Research Variables

Construct	Number of Items	Mean	Category	Highest Mean Item	Mean	Lowest Mean Item	Mean
Transformational Leadership	12	3.78	High	Supervisor provides a clear vision at work	3.84	Supervisor is open to new ideas	3.69
Job Satisfaction	15	3.81	High	Rewards are proportional to workload	3.87	Good relationship with supervisor	3.73
Employee Performance	12	3.81	High	Efficient use of organizational resources	3.88	Producing accountable work	3.76

Source: Primary data processed by the authors (2026).

Table 4 indicates that respondents reported favorable perceptions across all research constructs, with mean values ranging from 3.78 to 3.81, suggesting that transformational leadership, job satisfaction, and employee performance were generally perceived to be at a high level within the Directorate General of Customs and Excise. Among the three constructs, job satisfaction and employee performance obtained the highest overall mean score (M = 3.81), while transformational leadership followed closely (M = 3.78). These findings indicate that respondents generally perceived supportive leadership practices, satisfactory working conditions, and positive performance outcomes within their organization. For the transformational leadership construct, the highest-rated indicator was the leader's ability to provide a clear organizational vision (M = 3.84), suggesting that respondents considered their supervisors effective in communicating work objectives and organizational direction. In contrast, the lowest-rated indicator concerned leaders' openness to new ideas (M = 3.69), implying that greater employee participation in decision-making and innovation could further strengthen transformational leadership practices.

Regarding job satisfaction, respondents expressed the highest level of agreement with the statement that rewards were proportional to workload (M = 3.87), reflecting positive perceptions of compensation fairness. Conversely, satisfaction with relationships with

E-ISSN : 2962-9713
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supervisors received the lowest mean score (M = 3.73). Although still categorized as high, this finding suggests opportunities to enhance supervisory support and communication between managers and employees. For employee performance, respondents rated the efficient use of organizational resources as the strongest aspect of their performance (M = 3.88), whereas producing accountable work received the lowest mean score (M = 3.76). Overall, the descriptive findings indicate that investigators perceived themselves as performing effectively while recognizing opportunities for continuous improvement in work quality and accountability.

Structural Model Assessment

Prior to hypothesis testing, the structural model was evaluated to ensure that the proposed model adequately represented the observed data. The assessment included tests of data normality, multicollinearity, heteroscedasticity, and the overall model fit. The results indicate that the assumptions underlying the structural model were satisfied and that the proposed model was appropriate for subsequent hypothesis testing.

1. Normality Assessment

The normality of the data was evaluated using the One-Sample Kolmogorov–Smirnov test. As presented in Table 5, the model produced an Exact Significance (2-tailed) value of **0.996**, which exceeded the recommended threshold of 0.05. Therefore, the residuals were considered normally distributed, indicating that the assumption of normality was satisfied.

Table 5. Normality Test Results

Indicator	Value
Sample Size (N)	302*
Test Statistic	0.023
Exact Sig. (2-tailed)	0.996
Decision	Normally Distributed

Source: Processed using SPSS (2026).

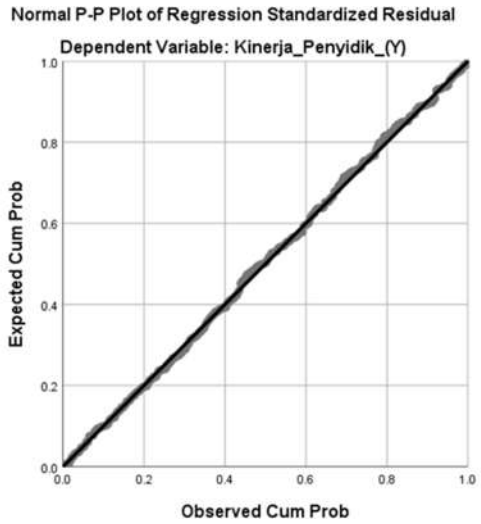


Figure 1. Normal Probability Plot

Normal probability plot illustrating the distribution of standardized residuals. The residuals closely follow the diagonal reference line, indicating that the normality assumption is satisfied.

E-ISSN : 2962-9713
P-ISSN : 2963-928X

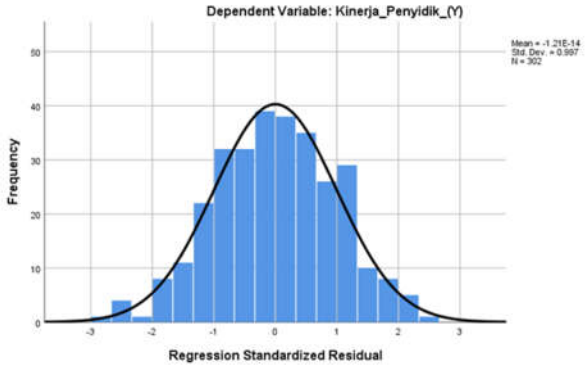


Figure 2. Histogram of Standardized Residuals

Histogram of standardized residuals showing an approximately bell-shaped distribution, further supporting the assumption of normality. The graphical examination supported the statistical results. The Normal Probability Plot showed that the standardized residuals were closely aligned with the diagonal reference line, while the histogram exhibited an approximately symmetric bell-shaped distribution. Collectively, these findings confirmed that the normality assumption was met.

2. Multicollinearity Assessment

Multicollinearity was assessed using tolerance and Variance Inflation Factor (VIF) values. As presented in Table 6, both constructs produced tolerance values above 0.10 and VIF values below the recommended threshold of 10. These findings indicate that multicollinearity was not present in the structural model.

Table 6. Multicollinearity Test Results

Construct	Tolerance	VIF	Interpretation
Transformational Leadership	0.227	4.414	No multicollinearity
Job Satisfaction	0.227	4.414	No multicollinearity

Source: Processed using SPSS (2026).

3. Heteroscedasticity Assessment

Heteroscedasticity was examined using the Glejser test by regressing the absolute residuals on the independent variables. As shown in Table 7, the significance values for both constructs exceeded 0.05, indicating that the residual variance remained constant across observations. Therefore, no evidence of heteroscedasticity was detected.

Table 7. Heteroscedasticity Test Results

Predictor	t-value	p-value	Interpretation
Job Satisfaction	-0.866	0.387	Homoscedastic
Employee Performance	-0.372	0.710	Homoscedastic

Source: Processed using SPSS (2026).

4. Goodness-of-Fit Assessment

The adequacy of the proposed structural model was evaluated using several goodness-of-fit indices generated by LISREL. As summarized in Table 8, the model produced a Chi-square value of 729.18 with 684 degrees of freedom, a p-value of 0.112, and an RMSEA of 0.015. These results indicate that the proposed model achieved an excellent fit with the observed data. In particular, the RMSEA value was well below the recommended threshold of 0.05, while the non-significant Chi-square probability suggested no statistically significant

E-ISSN : 2962-9713
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discrepancy between the estimated covariance matrix and the observed covariance matrix. Accordingly, the structural model was considered appropriate for hypothesis testing.

Table 8. Goodness-of-Fit Indices

Fit Index	Obtained Value	Recommended Value	Model Fit
Chi-square (χ^2)	729.18	Lower is better	Acceptable
Degrees of Freedom (df)	684	—	—
p-value	0.112	> 0.05	Good Fit
RMSEA	**0.015**	≤ 0.08	Excellent Fit

Source: Processed using LISREL (2026).

Hypothesis Testing

The structural relationships among the proposed constructs were examined using covariance-based Structural Equation Modeling (CB-SEM) with LISREL. Statistical significance was determined using the *t*-value criterion, where a value greater than ±1.96 indicated significance at the 5% level. The results of the direct, indirect, and total effects are presented in Table 9.

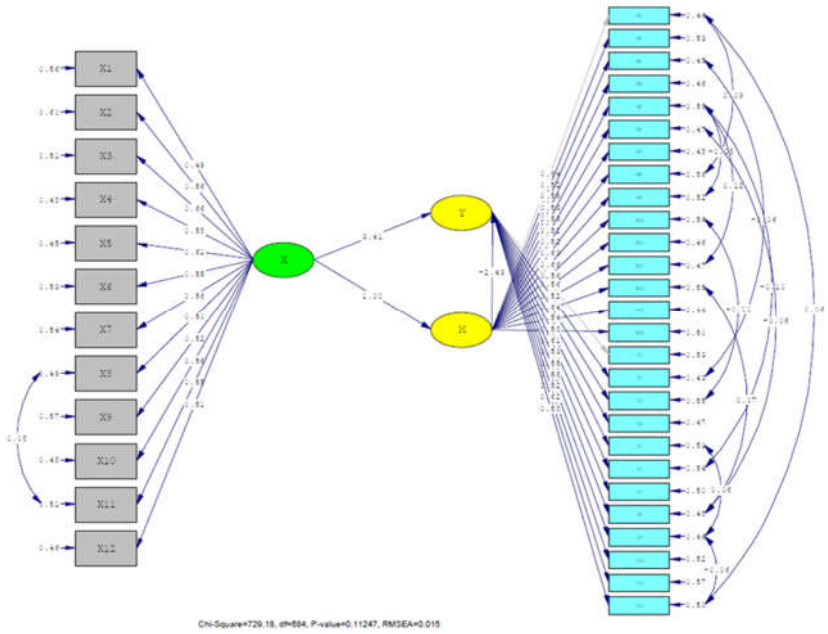


Figure 3. Structural Equation Model

Structural model illustrating the hypothesized relationships among transformational leadership, job satisfaction, and employee performance estimated using LISREL.

E-ISSN : 2962-9713
P-ISSN : 2963-928X

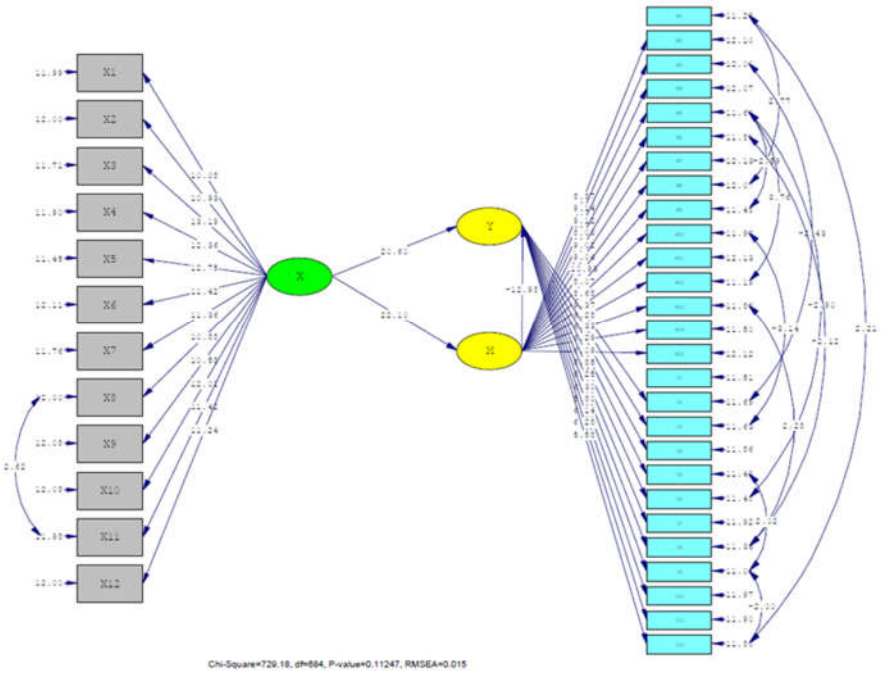


Figure 4. Structural Model t-values

Structural model displaying the t-values of the estimated relationships used for hypothesis testing.

Table 9. Hypothesis Testing Results

Hypothesized Relationship	*t*-value	Decision
Transformational Leadership → Employee Performance	3.409	Supported
Transformational Leadership → Job Satisfaction → Employee Performance (Indirect Effect)	−2.437	Significant
Job Satisfaction → Employee Performance	−2.435	Significant
Total Effect	0.972	—

Source: Processed using LISREL (2026).

1. Direct Effect

The structural model revealed that transformational leadership exerted a positive and statistically significant effect on employee performance. The estimated path produced a standardized coefficient of 0.56 with a *t*-value of 3.41, exceeding the critical value of 1.96. Therefore, Hypothesis 1 was supported, indicating that higher levels of transformational leadership were associated with improved employee performance among customs and excise investigators.

2. Indirect Effect (Mediation Analysis)

The mediating role of job satisfaction was evaluated by examining the indirect effect of transformational leadership on employee performance. The LISREL output indicated a statistically significant indirect effect, with a reported *t*-value of −2.437, exceeding the critical value in absolute terms ($|t| > 1.96$). These findings suggest that job satisfaction significantly mediated the relationship between transformational leadership and employee performance. Although the indirect pathway was statistically significant, the negative coefficient reported in the structural model indicates that the direction of the mediation effect requires further examination. Consequently, the statistical evidence supports the existence of a mediation effect; however, the magnitude and direction of the indirect relationship should be interpreted

E-ISSN : 2962-9713
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with caution and verified using the original LISREL output before drawing substantive conclusions.

Discussion

The Effect of Transformational Leadership on Employee Performance

The hypothesis-testing results demonstrate that transformational leadership has a positive and significant effect on employee performance. This relationship is indicated by a path coefficient of $\beta = 0.56$ and a *t*-value of 3.41, which exceeds the critical value of 1.96 at the 5% significance level. Therefore, the first hypothesis (H1), which states that transformational leadership positively and significantly affects employee performance, is supported. This finding indicates that leadership quality is one of the key factors determining the effectiveness of investigators in carrying out their duties. This relationship is particularly relevant considering the nature of investigative work within the Directorate General of Customs and Excise, which involves not only administrative activities but also analytical tasks, evidence collection, cross-unit coordination, and decision-making in law-enforcement processes. These responsibilities require adaptability, accuracy, integrity, and strong teamwork. Consequently, leaders who are able to provide clear direction, build trust, and support employee development play an important role in improving investigator performance.

The result is also consistent with the organizational development priorities of the Directorate General of Customs and Excise, particularly its emphasis on strengthening human resources. The 2024 Performance Report of the Directorate General of Customs and Excise noted that the implementation of Bureaucratic Reform and Institutional Transformation reached 98.36% of its target, while the implementation of the learning organization initiative reached 93.73%. These achievements reflect the organization's continuous efforts to establish an adaptive, professional, and performance-oriented work culture. Such efforts are likely to be more effective when supported by transformational leaders, as organizational change depends not only on improved systems and procedures but also on leaders' ability to mobilize, motivate, and develop employees. The increasing volume of international trade and rapid technological development have also made customs and excise violations more complex and organized. These conditions require investigators to continuously improve their competence, adaptability, and collaborative capacity. In such a dynamic environment, leaders are expected to function not merely as supervisors but also as learning facilitators, mentors, and change agents who prepare employees to respond effectively to emerging challenges. Therefore, the positive influence of transformational leadership on investigator performance is strongly aligned with the organizational dynamics currently faced by the Directorate General of Customs and Excise.

From a theoretical perspective, this finding supports the transformational leadership theory proposed by Bass and Avolio. The theory explains that transformational leaders influence their followers through four main dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Idealized influence enables leaders to serve as role models and gain the trust of subordinates, thereby strengthening organizational commitment. Inspirational motivation encourages employees to understand organizational goals and strive to achieve them effectively. Intellectual stimulation motivates employees to think critically and creatively when solving work-related problems, while individualized consideration is reflected in leaders' attention to employees' needs, potential, and professional development. The combination of these dimensions strengthens employees' intrinsic motivation and encourages them to achieve higher levels of performance (Bass & Avolio, 1994).

The relevance of transformational leadership is further reinforced by the governance challenges previously encountered by the Directorate General of Customs and Excise. One

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such challenge involved a corruption-related arrest operation conducted by the Corruption Eradication Commission against officials within the organization in connection with importation practices. The case illustrates that, in addition to strengthening internal control systems, public organizations require leaders who are able to instill integrity and ethical values among employees. From a transformational leadership perspective, leaders do not merely direct work activities but also function as role models who shape organizational culture through exemplary conduct. Such leadership is essential for encouraging employees not only to achieve performance targets but also to uphold accountability, transparency, and regulatory compliance. Accordingly, the findings suggest that better implementation of transformational leadership increases the likelihood of creating a work environment that supports both improved performance and stronger employee integrity.

This result is consistent with Buil, Martínez, and Matute (2019), who found that transformational leadership positively influences individual performance by strengthening motivation, organizational commitment, and proactive work behavior. Employees led by transformational leaders tend to demonstrate higher levels of work engagement, which subsequently contributes to increased productivity and improved organizational outcomes. Similar findings were reported by Helalat et al. (2025), who concluded that transformational leadership positively affects employee performance through stronger motivation and greater employee involvement in achieving organizational objectives. The finding is also supported by Fernando and Jayawardana (2024), who showed that transformational leadership enhances individual performance through increased work engagement. Leaders who provide inspiration, support, and development opportunities are able to strengthen employees' enthusiasm, sense of responsibility, and commitment to achieving high-quality results. This indicates that transformational leadership not only affects employees' psychological attitudes but also produces tangible improvements in their work performance.

Overall, the findings indicate that transformational leadership plays a strategic role in improving human resource quality within the Directorate General of Customs and Excise. Leaders who act as role models, build motivation, provide trust, and encourage competency development are more likely to create a work environment that supports investigator performance. As leadership quality improves, employees are better prepared to respond to increasingly complex job demands, maintain professionalism in carrying out their duties, and contribute more effectively to the achievement of organizational goals.

The Indirect Effect of Transformational Leadership on Employee Performance Through Job Satisfaction

The findings indicate that job satisfaction functions as a mediating variable in the relationship between transformational leadership and employee performance. However, rather than strengthening the relationship, job satisfaction appears to weaken the overall positive effect of transformational leadership on the performance of investigators at the Directorate of Enforcement and Investigation, Directorate General of Customs and Excise. This phenomenon contrasts with the direct effect of transformational leadership on employee performance, which was found to be positive and statistically significant ($\beta = 0.56$; $t = 3.41$). In other words, transformational leadership directly enhances investigators' performance. However, when the relationship operates through job satisfaction, the indirect mechanism appears to reduce the magnitude of this positive effect. From a theoretical perspective, this finding can be explained using Skinner's Operant Conditioning Theory (1953) and Schunk's Learning Theory (2012), both of which argue that employee behavior is shaped by environmental stimuli, reinforcement, and behavioral consequences. Within the Directorate of Enforcement and Investigation, investigators operate in a highly demanding environment characterized by complex investigations, substantial operational risks, strict case-completion

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deadlines, and rigorous integrity requirements under the merit system of the Indonesian Ministry of Finance. Transformational leadership, particularly through the dimension of intellectual stimulation, encourages investigators to think critically, develop innovative investigative strategies, and respond effectively to increasingly sophisticated smuggling techniques (Bass & Avolio, 1994). Such responsibilities require considerable psychological and cognitive resources.

One possible explanation for the negative indirect effect is the emergence of a complacency effect. Investigators who experience a high level of job satisfaction—such as satisfaction with interpersonal relationships or stable compensation—may become more comfortable with their working conditions, potentially reducing their sense of urgency, vigilance, and operational discipline. In law-enforcement organizations, maintaining constant alertness and professional rigor is essential for achieving high performance. Excessive feelings of comfort may unintentionally diminish employees' motivation to sustain peak performance, particularly in high-risk operational environments (Platis et al., 2015; Mastrofski et al., 1994). This interpretation is also supported by organizational conditions within the Directorate General of Customs and Excise. Historical corruption cases investigated by the Indonesian Corruption Eradication Commission (KPK), including corruption allegations involving senior customs officials, have affected employees' psychological perceptions of organizational integrity. Under such circumstances, transformational leaders may seek to strengthen employee relationships through individualized consideration. Nevertheless, if employees perceive discrepancies between supportive leadership practices and broader organizational integrity, improvements in job satisfaction alone may not translate into higher performance. Instead, employees may become more skeptical about organizational reforms, thereby reducing the effectiveness of satisfaction as a mechanism for improving performance.

The present findings are consistent with the argument of Zubair et al. (2021), who reported that in high-stress occupations, including law-enforcement agencies, administrative job satisfaction does not necessarily improve operational performance. Without strong monitoring systems and performance control mechanisms, comfortable working conditions may even reduce operational efficiency. This suggests that employee satisfaction alone is insufficient to guarantee high performance in organizations characterized by demanding operational responsibilities. Similarly, Mozin et al. (2025) argued that public-sector organizations undergoing extensive bureaucratic reforms often experience a temporary decline in employee job satisfaction because employees are required to adapt to new regulations, stricter performance standards, and continuous organizational change. Nevertheless, organizational performance may continue to improve because employees are expected to comply with standardized procedures, performance indicators, and merit-based management systems. This perspective provides a plausible explanation for the negative indirect effect observed in the present study. The performance of customs investigators may be driven primarily by institutional accountability, strict standard operating procedures, and merit-based performance management rather than by employees' subjective feelings of job satisfaction. Consequently, although transformational leadership directly enhances employee performance, job satisfaction does not necessarily strengthen this relationship within the context of a highly regulated public law-enforcement organization.

Overall, the findings suggest that job satisfaction serves as a suppressor rather than an enhancer in the relationship between transformational leadership and employee performance. This result contributes to the transformational leadership literature by demonstrating that the mediating role of job satisfaction may vary depending on organizational context. In highly regulated public-sector institutions with high operational pressure, employee performance appears to depend more heavily on organizational discipline, accountability systems, and

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professional commitment than on employees' emotional satisfaction with their work. Therefore, managers within the Directorate General of Customs and Excise should complement transformational leadership with robust performance management systems, continuous competency development, and integrity-based organizational culture to ensure that improvements in employee satisfaction are translated into sustainable performance outcomes.

CONCLUSION

This study examined the effect of transformational leadership on employee performance, with job satisfaction serving as a mediating variable, among investigators of the Directorate of Enforcement and Investigation, Directorate General of Customs and Excise. The findings demonstrate that transformational leadership has a positive and significant effect on employee performance, indicating that leaders who exhibit exemplary behavior, inspire employees, encourage innovation, and provide individualized support are more likely to enhance employees' quality of work, productivity, timeliness, effectiveness, and independence. These results reinforce the importance of transformational leadership in improving employee performance within public-sector organizations, particularly those operating in dynamic and high-risk law-enforcement environments. The study further confirms that job satisfaction significantly mediates the relationship between transformational leadership and employee performance, suggesting that transformational leadership contributes not only through its direct influence on employee behavior but also by fostering positive work attitudes. Employees who experience higher levels of satisfaction with their work, supervisory relationships, career development opportunities, and organizational rewards are more likely to demonstrate improved performance. These findings highlight the importance of integrating leadership development with human resource management practices that promote employee satisfaction in order to achieve sustainable organizational performance.

From a practical perspective, the Directorate General of Customs and Excise should continue strengthening transformational leadership capabilities through leadership development programs, coaching, mentoring, and continuous evaluation of managerial effectiveness. At the same time, organizations should foster employee job satisfaction by establishing a supportive work environment, transparent career development systems, fair reward mechanisms, and open communication between supervisors and employees. Future studies are encouraged to extend the proposed research model by incorporating additional variables, such as work motivation, organizational commitment, organizational culture, employee engagement, or organizational citizenship behavior, and by examining different public-sector institutions to improve the generalizability of the findings.

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