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UDC 331

## IMPACT OF WORK MOTIVATION AND TRANSFORMATIONAL LEADERSHIP ON PERFORMANCE WITH ORGANIZATIONAL CLIMATE AS MEDIATOR

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### ABSTRACT

In response to the growing complexities and competitive pressures in the modern business landscape, this study seeks to explore how PT Esprite Nomade Banyuwangi enhances employee productivity and performance by leveraging work motivation and transformational leadership, while examining the mediating role of organizational climate. This research is expected to be useful as an effort to improve employee performance at PT Esprite Nomade Banyuwangi.

### KEY WORDS

Work motivation, transformational leadership, employee performance, organizational climate.

In an increasingly complex and competitive business era, global companies seek to improve employee productivity and performance. According to the data by S&P Global (2023), the growth rate of the manufacturing industry in 2023 is in an expansionary zone between 5.4-5.8%. This increasing pace is driven by resilient demand as well as increasing production capacity and labor requirements. Therefore, efforts to improve employee performance are needed to cope with the increase in orders and production that occurs. Herzberg (2013), aims that motivation is the key to improving performance. Recent research, by Deci & Ryan (2017), confirms that work motivation has a significant impact on company productivity. Research by Sinambela (2016) also states the importance of motivation in achieving organizational goals, but Amalia's (2022) findings show a gap where work motivation does not have a significant impact on employee performance, so this is the basis for further investigation.

Efforts in performance improvement can also be created from a balance of cooperation between leaders and employees (Koopmans, 2014). Transformational leadership, which involves goal creation and encouragement, has been shown to be more effective than transactional leadership (Bass & Riggio, 2014). Research by Febrina & Prawira (2019) confirms that transformational leadership directly has a positive and significant impact on performance. However, the results of Fauziyyah & Cadith's (2023) show a gap where the leadership style at the partial level has no effect on employee performance. This encourages exploration for further research.

The results of observations of company leader through MLQ (Multifactor Leadership Questionnaire) data that have been carried out related to the methods applied in his leadership where the vision he have is strong, his concern for subordinates, the value of guidelines that are upheld, encouraging innovation and creativity, and a strong motivator spirit indicate the character applied by the leader is a transformational leadership style. The following are the results of the MLQ test on company leader.

With the development of the times, consumer demand is also increasing, driving an increase in production targets at PT Esprite Nomade Banyuwangi and other Indonesian



manufacturing industries. Indonesia's Manufacturing PMI by S&P Global (2023) recorded a positive score of 53.90 in August, indicating solid growth in the manufacturing sector. This signaled an increase in new orders, production, and employment within the industry. Therefore, efforts to improve employee performance are needed. The pre-research results show the condition of PT Esprite Nomade Banyuwangi's employee performance evaluation which has increased from 2022 to 2023.

Table 1 – Company Leader MLQ Questionnaire Answers

Multifactor Leadership Questionnaire (Bass/Avolio)			
Instructions: This questionnaire provides a description of your leadership style. Twenty-one descriptive statements are listed below. Rate how often each statement applies to you. The word "others" can mean your followers, clients, or group members.			
		Score:	
		0	Very Rarely
		1	Never
		2	Sometimes
		3	Often
		4	Very Often
Question		Score (0-4)	
1	I tell others what they need to do if they want to be rewarded for their work.	2	
2	I give recognition/awards when others achieve their goals.	3	
3	I draw attention to what others can gain from their achievements.	2	
4	I help others develop themselves.	4	
5	I let others know how I evaluate their performance.	4	
6	I give personal attention to those who feel rejected.	4	
7	I make others feel happy to be around me.	4	
8	Others have full trust in me.	4	
9	Others are proud to be associated with me.	3	
10	I express in a few simple words what we can and should do.	4	
11	I provide an appealing vision of what we can accomplish.	4	
12	I help others find meaning in their work.	4	
13	I enable others to think about old problems in new ways.	3	
14	I give others new ways to look at confusing things.	4	
15	I make others reconsider ideas they have never questioned before.	4	
16	I am satisfied letting others continue working in the same ways as always.	2	
17	Whatever others want to do is fine with me.	2	
18	I do not ask more from others than what is truly essential.	2	
19	I am satisfied when others meet the agreed-upon standards.	3	
20	As long as everything is going well, I do not try to change anything.	1	
21	I tell others the standards they need to know to carry out their work.	3	

Source: Data Processed, 2023.

Table 2 – Company Leader MLQ Questionnaire Answers

Score Range: High = 9 – 12 / Moderate = 5 – 8 / Low = 0 – 4			
Score	Type	Theoretical Basis	Description
11	Idealized Influence	Transformational Leadership	Idealized Influence (II) indicates whether you hold the trust of your subordinates, maintain their belief and respect, show dedication to them, appeal to their hopes and dreams, and act as their role model.
12	Inspirational Motivation	Transformational Leadership	Inspirational Motivation (IM) measures the extent to which you provide a challenging vision and goals, use appropriate symbols and imagery to help others focus on their work, and strive to make others feel that their work is important.
11	Intellectual Stimulation	Transformational Leadership	Intellectual Stimulation (IS) shows the extent to which you encourage others to be creative in viewing old problems in new ways, create an environment tolerant of seemingly extreme positions, and nurture people to question their own values and beliefs as well as those of the organization.
12	Individualized Consideration	Transformational Leadership	Individualized Consideration (IC) indicates the extent to which you show interest in the welfare of others, assign projects individually, and pay attention to those who seem less engaged in the group.
7	Contingent Reward	Transactional Leadership	Contingent Reward (CR) shows the extent to which you tell others what to do to earn rewards, emphasize what you expect from them, and acknowledge their achievements.
7	Management-by-exception	Transactional Leadership & Passive Leadership	Management-by-Exception (ME) assesses whether you inform others of job requirements, are satisfied with standard performance, and believe in the principle "if it ain't broke, don't fix it."
6	Laissez-faire Leadership	Passive Leadership	Laissez-Faire (LF) measures whether you ask little of others, are content to let things run their course, and allow others to do their own thing.
SCORING: The Multifactor Leadership Questionnaire measures your leadership based on seven factors associated with transformational leadership. Your score for each factor is determined by adding together three specified items in the questionnaire.			

Source: Data Processed, 2023.



Table 3 – Results of Employee Performance in PT Esprite Nomade Banyuwangi 2022-2023

Description	Division	Assessment Criteria	2022	2023
Employee A	Production	Communication Skills	14	15
		Achievement of Performance Targets	18	20
		Responsibility in Work	18.5	20
		Initiative and Activeness	18	22.5
		Time Management	15	18
		Total	83.5	95.5
Employee B	Production	Communication Skills	13	14
		Achievement of Performance Targets	17	19
		Responsibility in Work	19	20
		Initiative and Activeness	20	20
		Time Management	15	17
		Total	84	90
Employee C	Finishing	Communication Skills	12	13
		Achievement of Performance Targets	16	18
		Responsibility in Work	17	18
		Initiative and Activeness	18	19
		Time Management	14	15
		Total	77	83
Employee D	Finishing	Communication Skills	14	15
		Achievement of Performance Targets	19	20
		Responsibility in Work	18	19
		Initiative and Activeness	17	18
		Time Management	16	17
		Total	84	89
Employee E	Purchasing	Communication Skills	13	14
		Achievement of Performance Targets	18	20
		Responsibility in Work	19	20
		Initiative and Activeness	20	22
		Time Management	15	16
		Total	85	92
Employee F	Purchasing	Communication Skills	12	13
		Achievement of Performance Targets	15	16
		Responsibility in Work	17	18
		Initiative and Activeness	19	20
		Time Management	16	17
		Total	79	84

Source: Performance Evaluation Report 2022-2023, Processed, 2023.

After applying transformational leadership styles, positive changes occur that reflect social dynamics where different leadership styles bring diverse experiences, values, and expectations. This is in line with Bennis' (2014) view on the importance of diversity in teams. Therefore, this study will also examine the mediating effect of organizational climate. Organizational climate was chosen as a mediating mechanism because of its ability to explain the relationship between variables. Denison (2013) emphasized that organizational climate is more appropriate to use as mediation because it has a shorter time frame than organizational culture. In this context, social exchange theory by (Blau, 2017) is also relevant to understand this relationship. This theory states that social relationships are built based on reciprocal exchanges between individuals who seek maximum benefits and minimum sacrifices in their interactions. Based on this, the authors are interested in conducting this research topic.

## LITERATURE REVIEW

In this social exchange theory, interaction is often considered as a mutually influencing relationship between individuals and organizations, where the actions of one party, namely the leader, can affect the experience of the other party (Blau, 2017). The implications of this theory indicate that if the social exchange relationship between leaders and employees is good, then employees will have high motivation. Social exchange theory explains that the level of social and economic rewards received in a relationship has a significant impact on the level of individual commitment.

Performance is a crucial element in the context of productivity and effectiveness within the workplace. Experts identify performance as a primary indicator reflecting the extent to





which an individual or group achieves set goals or targets. According to Robbins & Judge (2018), employee performance is measured by how well an individual performs their tasks, meets objectives, and behaves according to the company's expectations. This concept is supported by Luthans (2018), who defines performance as the output achieved by an individual or group. Mathis & Jackson (2019) further emphasize that the desired performance outcomes of an organization depend on individual ability, motivation, and the level of support received. Based on these expert opinions, it can be concluded that employee performance is closely linked to motivation, which drives individuals to achieve goals and contribute maximally to their work.

Various studies affirm that high work motivation has a significant correlation with improved employee performance. Kreitner & Angelo (2014) highlight that a strong motivation correlates positively with employee performance. Relevant research, such as Insani (2020), found that work motivation positively and significantly impacts employee performance. Similarly, Manurung (2017) also reported a positive and significant effect of work motivation on performance. However, Amalia (2022) revealed a gap, as direct motivation was not found to have a significant impact on employee performance. Considering expert views and previous research findings, it is evident that work motivation plays a crucial role in shaping overall performance within an organization. Therefore, based on theoretical frameworks and empirical evidence, it can be hypothesized that there is a relationship between work motivation and performance, which affects productivity, work quality, engagement, innovation, and goal achievement. Consequently, the hypothesis is formulated as follows:

*H1: Work motivation has a positive effect on employee performance at PT. Esprite Nomade Banyuwangi.*

A positive organizational climate fosters a sense of belonging, support, and collaboration among employees, thereby enhancing their motivation and commitment to organizational goals. Research by Utama (2017) reinforces this notion, demonstrating that organizational climate significantly and positively influences employee motivation. Moreover, findings by Febrina & Prawira (2019) highlight the connection between organizational climate, employee motivation, and performance, indicating that a conducive organizational climate contributes to increased motivation levels and, consequently, improved employee performance.

Conversely, employee motivation can also impact the organizational climate, creating a reciprocal relationship between these constructs. The study by Komarudin et al. (2021) provides empirical evidence supporting this perspective, showing that employee motivation significantly affects the organizational climate. Therefore, based on these insights, it can be hypothesized that work motivation positively influences the organizational climate at PT. Esprite Nomade Banyuwangi. The hypothesis is formulated as follows:

*H2: Work motivation has a positive effect on the organizational climate at PT. Esprite Nomade Banyuwangi.*

Performance is often linked to leaders who effectively implement transformational leadership styles. According to Bass & Riggio (2014), transformational leadership is characterized by a leader's ability to motivate, inspire, and shape the mindset and behavior of subordinates towards achieving higher organizational goals. Additionally, Yukl (2015) highlights that transformational leaders are more likely to foster high engagement and strong loyalty towards organizational goals.

Several studies indicate a relationship between transformational leadership and performance. Febrina & Prawira (2019) found that transformational leadership has a direct and significant positive impact on performance. This aligns with Hidayat (2022), which shows a direct and significant positive effect of transformational leadership on employee performance, implying that better transformational leadership correlates with improved employee performance. However, research by Evikasari & Praptiestrini (2020) shows that while transformational leadership has a positive effect, but not significant. Moreover, Fauziyyah & Cadith (2023) indicate that leadership style, at a partial level, does not significantly affect employee performance, suggesting a less prominent role in performance improvement. Thus, the hypothesis is formulated as follows:

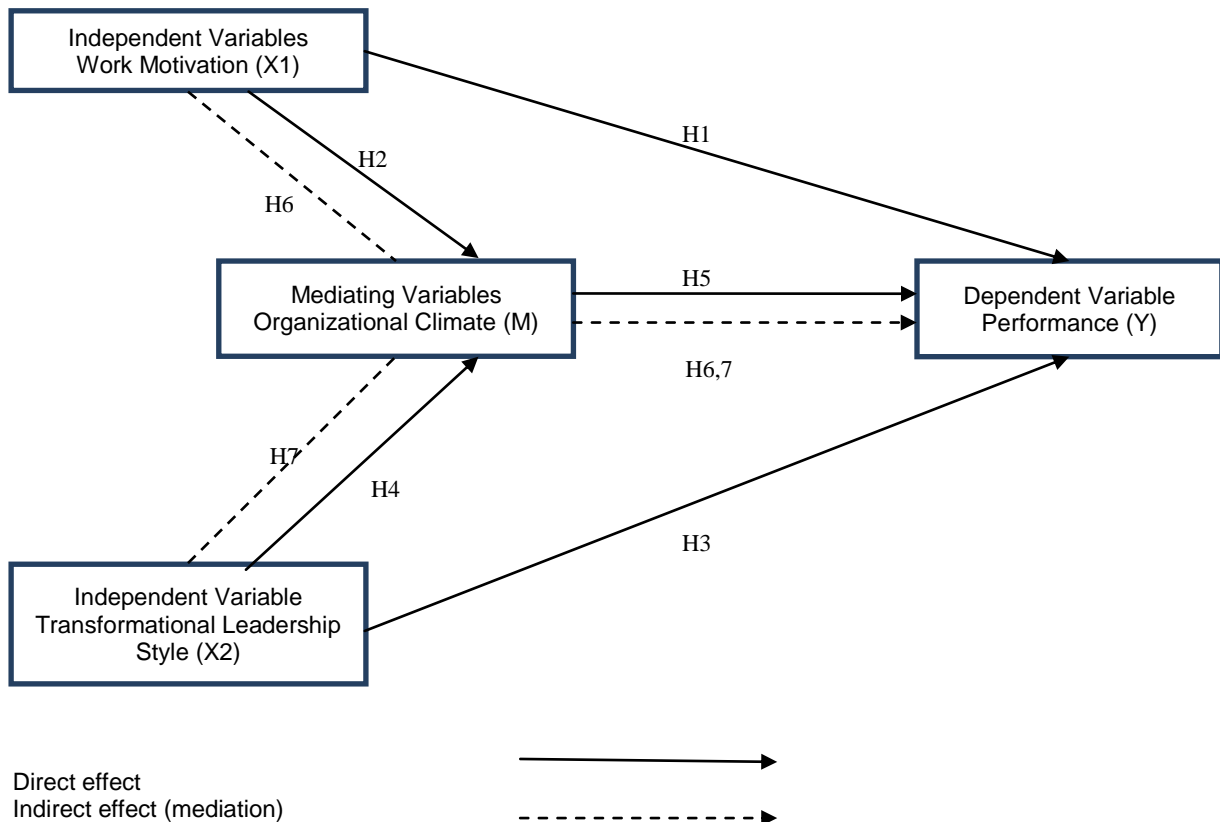


Figure 1 – Model Hypothesis (Source: Data Processed, 2023)

**H3: Transformational leadership has a positive effect on employee performance at PT. Esprite Nomade Banyuwangi.**

According to Amelia (2018), transformational leaders directly impact organizational climate by inspiring, motivating, and guiding subordinates toward higher achievements. This leadership style not only focuses on meeting organizational targets but also emphasizes individual development and an innovative work environment. Alfarisi et al. (2023) confirm that transformational leadership positively affects organizational climate, creating an inspiring work environment where employees feel valued and supported. Additionally, transformational leadership positively impacts motivation, work professionalism, and overall employee performance (Hidayat, 2022). Febrina & Prawira (2019) further support this view, showing significant effects on organizational climate, motivation, and performance. Thus, the hypothesis is formulated as follows:

**H4: Transformational leadership has a positive effect on the organizational climate at PT. Esprite Nomade Banyuwangi.**

Various expert opinions and empirical evidence depict a dynamic relationship between a positive organizational climate and its indirect impact on performance achievements. Wong (2013), reveal that a positive organizational climate in hospitals, measured through dimensions like supervisor support, communication, and organizational justice, is positively correlated with nurse performance. Similarly, Heriana (2018) indicates that organizational climate indirectly influences performance, suggesting that a good organizational climate leads to improved performance. Therefore, it can be concluded that a positive organizational climate fosters both intrinsic and extrinsic motivation, indirectly enhancing performance leading to the following hypothesis:

**H5: Organizational climate affects employee performance at PT. Esprite Nomade Banyuwangi.**

Several studies have identified connections between work motivation, performance, and organizational climate. Research by Irwan et al. (2022) demonstrates that organizational



climate significantly and positively affects employee performance. Additionally, work motivation has a positive and significant impact on employee performance. This finding aligns with Utama (2017), which shows that organizational climate positively and significantly influences work motivation, as well as employee performance. Furthermore, Komarudin et al. (2021) reveal that work motivation significantly affects organizational climate. Based on these insights, the hypothesis can be formulated as follows:

*H6: Organizational climate mediates the relationship between work motivation and employee performance at PT. Esprite Nomade Banyuwangi.*

Several studies highlight the relationships between transformational leadership, organizational climate, and performance. Organizational climate, in turn, has a direct, positive effect on performance and acts as a mediator that facilitates the influence of transformational leadership on performance. This is consistent with findings by Alfarisi et al. (2023), which show that transformational leadership positively affects employee performance, improves organizational climate, and that organizational climate positively influences employee performance. Additionally, Kartini et al. (2017) support the view that both organizational climate and transformational leadership have a direct impact on performance. Thus, based on these insights, the hypothesis can be formulated as follows:

*H7: Organizational climate mediates the relationship between transformational leadership and employee performance at PT. Esprite Nomade Banyuwangi.*

## METHODS OF RESEARCH

This research uses a quantitative approach conducted during the research timeframe from late 2023 to early 2024. The population consists of 170 employees of PT Esprite Nomade Banyuwangi with 120 samples selected using probability sampling, namely simple random sampling.

Table 4 – Operational Variables

Variable	Definition	Indicator
Work Motivation	Attitudes and values that influence a person in achieving a goal (Rivai et al. 2013)	Strong sense of initiative Strong sense of responsibility towards work Strong drive to achieve work performance Self-development Maintain current position Job matches interests and talents Job satisfaction and a sense of accomplishment
Transformational Leadership	A leader's ability to transform the work environment, work motivation, work patterns, and work values of subordinates so that subordinates will optimize performance to achieve organizational goals (Bass & Riggio, 2014) and (Ngadiman et al.2013)	Ability to mobilize individuals and groups Sets a good example for employees Consistently provides encouragement Interacts expectations and desires Motivates employees to think innovatively Approaches employees in new ways Willing to listen for career development Attention to the availability of facilities and infrastructure
Performance	Work results both in terms of quality and quantity, which have been achieved by an employee in accordance with the responsibilities given to them (Mathis & Jackson, 2019)	Ability to complete all tasks and responsibility Ability to reduce the possibility of errors committed to working according to the standards Ability to complete each task on time according to the specified schedule Habit of delaying work Present in the office according to the working hours that have been set Ability to collaborate well Ability to obey the rules that apply in the company
Organizational Climate	Organizational climate is the result of formal systems over a period of time, leadership styles, and other environmental factors that influence individual attitudes, beliefs, values, and motivations that are the distinguishing characteristics of one organization from another (litwin & stringer, 2013) and (ngadiman et al.)	Tasks and work clearly outlined and structured Decisions made Responsibility for the tasks perform Company's approach Sense of giving help Promotion system Reward on performance Loyalty Attention

Source: Data Processed, 2023.



Probability sampling is applied with a random number generator application where the entire population (170) is sorted using a number and the number is randomized so that it can select 120 samples needed for research. Then the selected numbers were collected and distributed to each division within the company to be distributed to its members. The data collection technique used a questionnaire survey. Data analysis using Structural Equation Modeling Partial Least Square (SEM-PLS), which starts from analyzing the measurement model (outer model), which includes convergent validity test, reliability test, and discriminant validity test (Hair et al. 2017). Then evaluate the structural model (inner model). Structural model analysis consists of R-square, F-square, and Q-square). Then further hypothesis testing in this study was carried out by assessing significance through the p-value. P-value shows the probability value. In this study with a significance level of 5%, the p-value must be less than 0.05 to conclude that the relationship under consideration is significant at the 5% level. Hypothesis testing in this study will use direct and indirect P-value methods.

## RESULT AND ANALYSIS

The majority of respondents, who are employees of PT Esprite Nomade Banyuwangi, are 30-39 years old (41.6%) and male (68.3%). The majority have a high school education (36.7%), come from the furniture division (25.0%), and have a junior staff position (58.3%). Most have worked at PT Esprite Nomade for 1-5 years (66.7%). The minimum length of service to be able to research organizational climate in a company is generally six months to one year. (Ostroff, 2013), This allows employees to adapt to the organizational environment and form meaningful perceptions of the organizational climate. Studies published in the Journal of Organizational Culture and Climate by (Ostroff, 2013) suggest that one year is an adequate period for employees to develop a comprehensive understanding of the organizational climate, as it allows them to experience various organizational practices and policies during different seasons and business cycles.

High factor loading indicates that related indicators have a strong relationship, which is reflected in the construct.

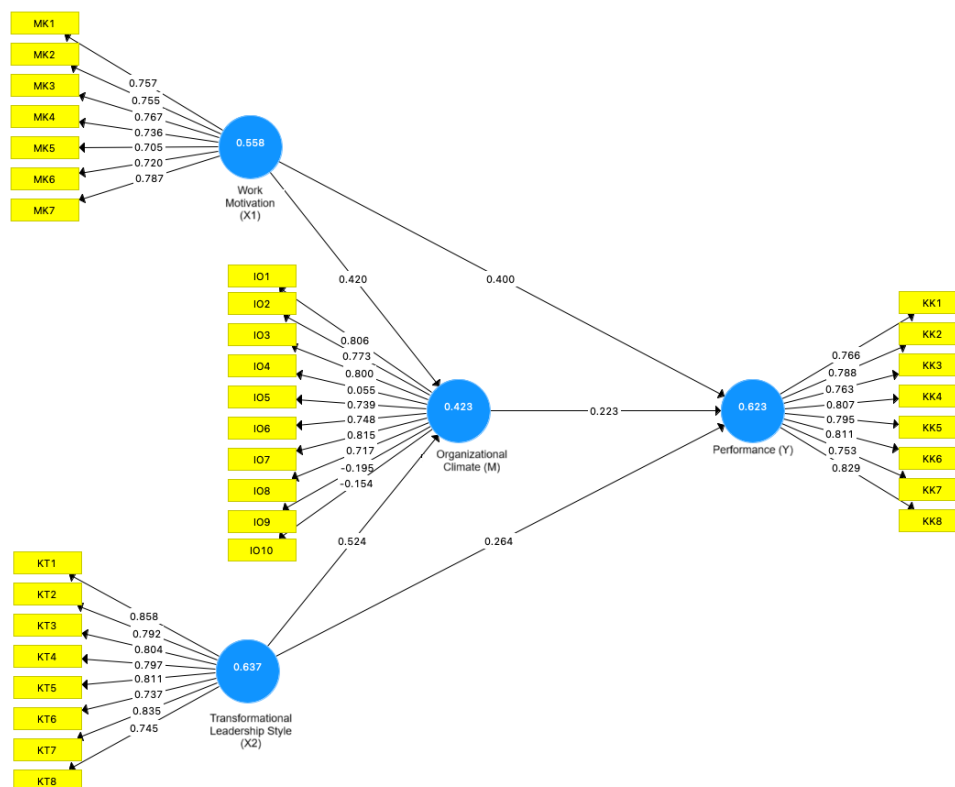


Figure 2 – Factor Loading Result Iteration 1 (Source: Data Processed, 2024)



Table 5 – Factor Loading Result Iteration 1 SEM-PLS

Work Motivation (MK)	Transformational Leadership (KT)	Organizational Climate (IO)	Performance (KK)
MK1 0,757	KT1 0,858	IO1 0,806	KK1 0,766
MK2 0,755	KT2 0,792	IO2 0,773	KK2 0,788
MK3 0,767	KT3 0,804	IO3 0,800	KK3 0,763
MK4 0,736	KT4 0,797	IO4 0,055	KK4 0,807
MK5 0,705	KT5 0,811	IO5 0,735	KK5 0,795
MK6 0,720	KT6 0,737	IO6 0,748	KK6 0,811
MK7 0,787	KT7 0,835	IO7 0,815	KK7 0,753
	KT 8 0,745	IO8 0,717	KK8 0,829
		IO9 -0,195	
		IO10 -,154	

Source: Data Processed, 2024.

In this table, there are three variables with factor loading below 0.6, namely IO4, IO9, and IO10. Indicators with factor loading below 0.6 should be considered for deletion to increase Composite Reliability and AVE (Hair et al. 2017). The results of retesting factor loading after removing 3 indicators are shown in the following table and the result is valid.

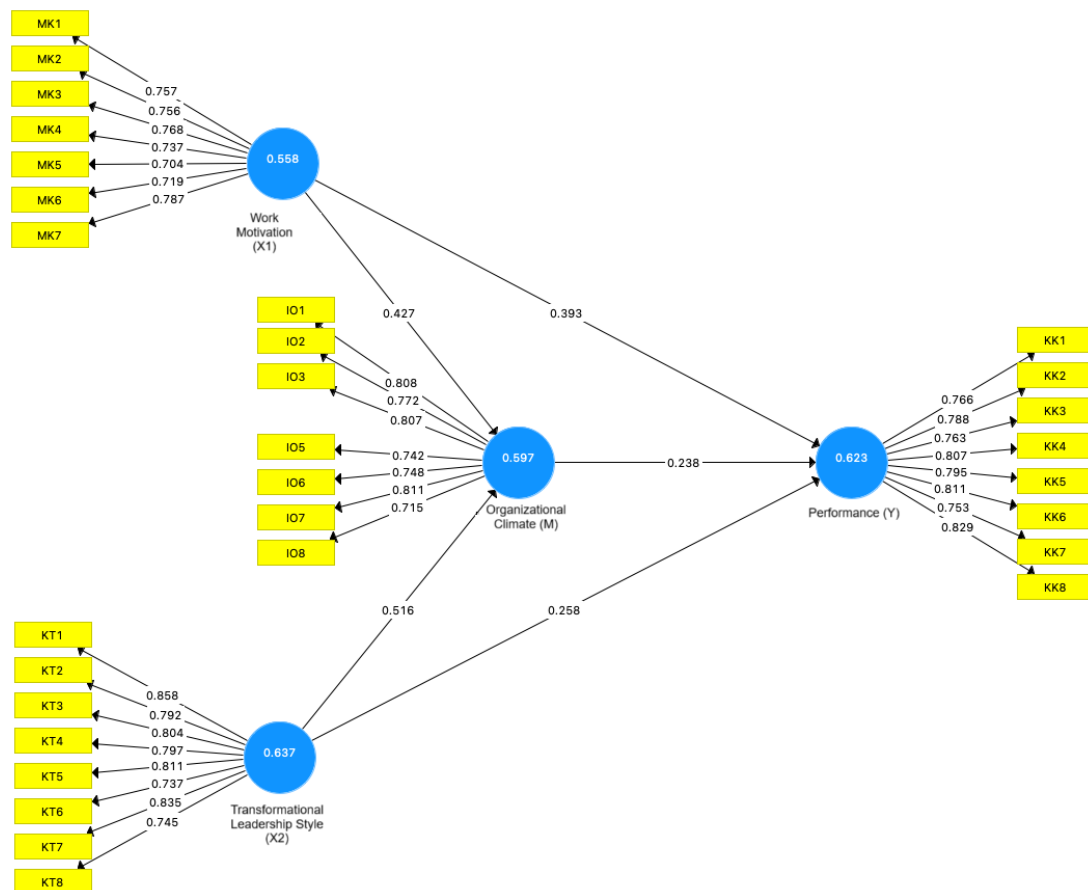


Figure 3 – Factor Loading Result Iteration 2 (Source: Data Processed, 2024)

Table 6 – Factor Loading Result Iteration 2 SEM-PLS

Work Motivation (MK)	Transformational Leadership (KT)	Organizational Climate (IO)	Performance (KK)
MK1 0,757	KT1 0,858	IO1 0,806	KK1 0,766
MK2 0,755	KT2 0,792	IO2 0,773	KK2 0,788
MK3 0,767	KT3 0,804	IO3 0,800	KK3 0,763
MK4 0,736	KT4 0,797		KK4 0,807
MK5 0,705	KT5 0,811	IO5 0,735	KK5 0,795
MK6 0,720	KT6 0,737	IO6 0,748	KK6 0,811
MK7 0,787	KT7 0,835	IO7 0,815	KK7 0,753
	KT 8 0,745	IO8 0,717	KK8 0,829

Source: Data Processed, 2024.





From the AVE test results contained in table 7, it can be seen that all variables or constructs have an AVE value that exceeds 0.5. Thus, all variables have met the convergent validity standards.

**Table 7 – Result of AVE SEM-PLS**

Variable	AVE
Work Motivation	0,558
Transformation Leadership	0,637
Organizational Climate	0,597
Performance	0,623

Source: Data Processed, 2024.

Hair et al. (2017) recommends using two internal reliability measurement methods, namely Cronbach's Alpha (CA) and Composite Reliability (CR).

**Table 8 – Result of Cronbach's Alpha and Composite Reliability SEM-PLS**

Variable	CA	CR
Work Motivation	0,868	0,898
Transformation Leadership	0,918	0,933
Organizational Climate	0,887	0,912
Performance	0,913	0,930

Source: Data Processed, 2024.

From these results, all variables show CA and CR values that exceed 0.7. This indicates that each construct has a good level of reliability and can measure variables consistently.

Discriminant validity evaluation is usually based on cross-loading and the Fornell-Larcker criterion. However, new research shows that both methods cannot always accurately identify discriminant validity issues (Hair et al. 2017). As an alternative, (Henseler et al. 2015) proposed the use of heterotrait-monotrait correlation ratio (HTMT).

**Table 9 – Result HTMT SEM-PLS**

	Transformational Leadership	Organizational Climate	Performance	Work Motivation
Transformation Leadership				
Organizational Climate	0,90			
Performance	0,80	0,83		
Work Motivation	0,81	0,90	0,87	

Source: Data Processed, 2024.

From the data testing, indicators KT8, MK3, and IO3 were eliminated. Although the data is valid and the CA and CR values are reliable, they contribute poorly to the HTMT value. This may be due to the similarity of respondents' responses to the question indicator items. Therefore, these three indicators were removed from the model to overcome this HTMT value so that the results of all constructs have met discriminant validity.

The interpretation of the R-squared value is as follows: 0.75 indicates substantial strength, 0.50 indicates a moderate/moderate level of strength, and 0.25 indicates a weak level of strength (Hair, et al. 2017). The results of the R-Square calculation can be seen in table below.

**Table 10 – Result R-Square and R-Square Adjusted SEM-PLS**

Variable	R-Square	R-Square Adjusted
Organizational Climate	<b>0,72</b>	<b>0,72</b>
Performance	<b>0,67</b>	<b>0,66</b>

Source: Data Processed, 2024.

The results of the analysis reveal that the R-squared for the organizational climate variable is 0.72, indicating that work motivation factors and transformational leadership style



have a substantial contribution in explaining variations in organizational climate. About 72% of the variation in organizational climate can be explained by work motivation factors and transformational leadership style, while the remaining 28% is influenced by other factors not examined in this study. Furthermore, the R-squared for performance is 0.67, indicating that the factors of work motivation, transformational leadership style, and organizational climate together are able to explain about 67% of the variation in performance and fall into the medium/moderate category.

The guideline for evaluating the f-square value is that values of 0.02, 0.15, and 0.35 signify small, medium, and large effects respectively according to (Ghozali & Latan, 2015).

Table 11 – Result F-Square SEM-PLS

	Transformational Leadership	Organizational Climate	Performance	Work Motivation
Transformation Leadership		0,46	0,08	
Organizational Climate			0,03	
Performance				
Work Motivation	0,29		0,22	

Source: Data Processed, 2024.

Based on the analysis, it can be seen that the transformational leadership style factor has a large influence (0.46) on organizational climate. However, the transformational leadership style factor shows a small influence with a value of 0.08 on performance. Furthermore, organizational climate shows a small influence (0.03) on performance. Finally, work motivation has a moderate impact (0.29) on organizational climate and a moderate impact on performance of 0.22.

A model is considered to have predictive relevance if the Q-square value exceeds 0 (zero). In practical terms, higher Q-square values, for example above 0.25 and 0.50, indicate varying degrees of predictive relevance, whether small, medium, or large, of the PLS path model using the blindfolding test of 7 cases.

Table 12 – Result Q-Square CCC SEM-PLS

	SSO	SSE	Q <sup>2</sup> (=1-SSE/SSO)
Transformation Leadership	840,00	385,95	0,54
Organizational Climate	720,00	403,20	0,44
Performance	960,00	475,11	0,51
Work Motivation	720,00	441,43	0,39

Source: Data Processed, 2024.

Construct Crossvalidated Commuality (CCC) is a measure of how well the observed construct explains the variance of the indicators associated with it. Based on the data above, the q-square value shows a high value so that all variables effectively explain the variance of the indicators associated with them.

Table 13 – Result Q-Square CCR SEM-PLS

	SSO	SSE	Q <sup>2</sup> (=1-SSE/SSO)
Transformation Leadership	840,00	840,00	
Organizational Climate	720,00	413,43	0,43
Performance	960,00	570,73	0,41
Work Motivation	720,00	720,00	

Source: Data Processed, 2024.

Meanwhile, Construct Cross validated Redundancy (CCR) is a measure that indicates how large a proportion of the variance of the observed construct is predicted by other constructs in the model. Based on the data above, the q-square values of Construct Cross validated Redundancy (CCR) of 0.43 and 0.41 indicate that approximately 43% and 41% of the variance in the organizational climate and performance variables can be explained by the variance in other constructs in the model, after controlling for the effects of multicollinearity. This indicates a significant level of redundancy and uniqueness between the observed



constructs and other constructs in the model.

To determine whether there is a direct effect of the independent variable on the dependent variable, the evaluation is based on the p-value. The coefficient is considered significant if the p-value  $< 0.05$ . The results of testing the direct effect hypothesis are summarized in below.

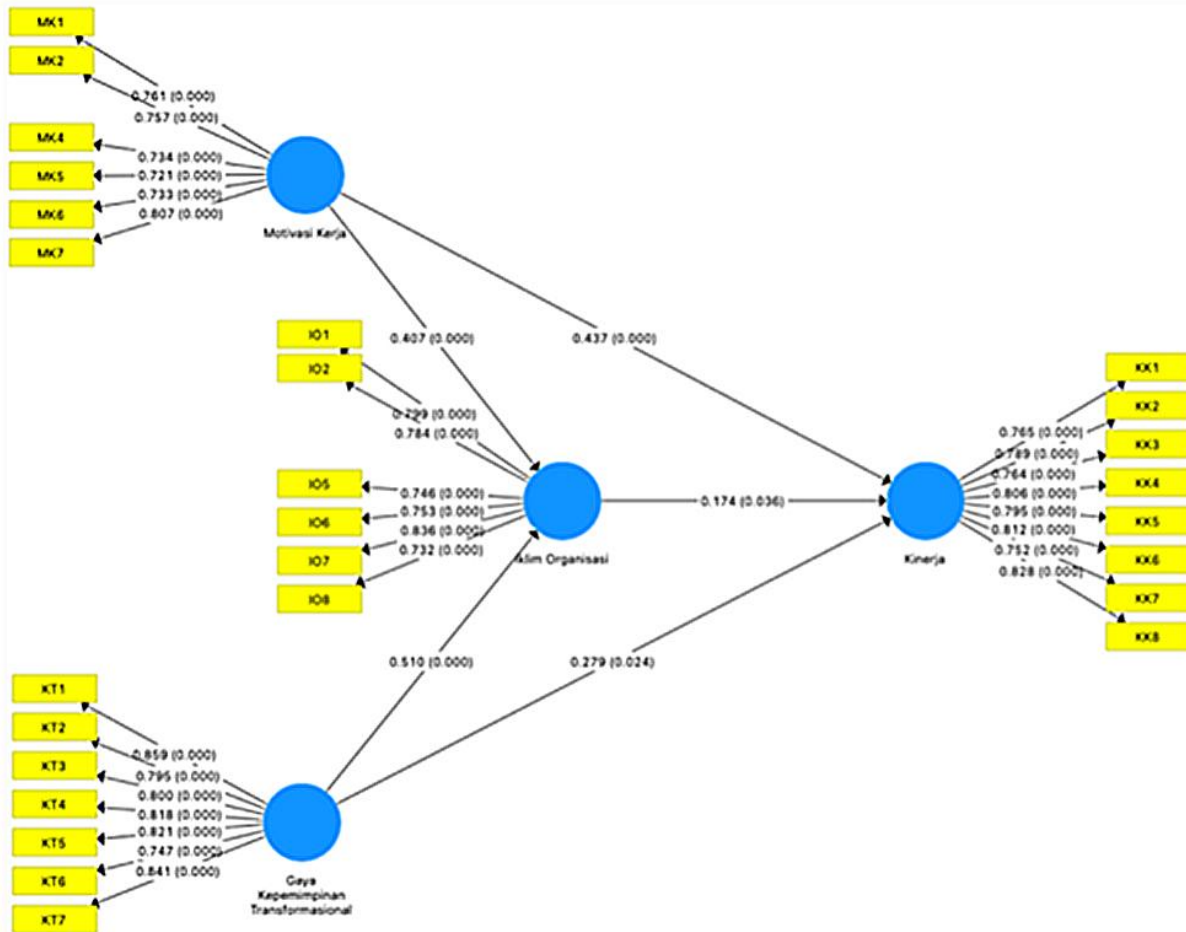


Figure 4 – Direct Effect Test Result (Source: Data Processed, 2024)

Table 14 – Hypothesis Testing Result Direct Effect

Hypothesis	Path Coefficient	T-Statistic	P-Values	Result
H1 Work Motivation -> Performance	0,437	4,178	0,000	Accepted
H2 Work Motivation -> Organizational Climate	0,407	5,559	0,000	Accepted
H3 Transformational Leadership Style -> Performance	0,279	1,981	0,024	Accepted
H4 Transformational Leadership Style -> Organizational Climate	0,510	6,880	0,000	Accepted
H5 Organizational Climate -> Performance	0,174	1,800	0,036	Accepted

Source: Data Processed, 2024.

Based on the results of testing the direct effect hypothesis shown that the positive sign of the path coefficient (0.437) indicates that the effect of work motivation on performance is positive. Significance is seen from the t-statistic value of  $4.178 > 1.65$  and p-value  $0.000 < 0.05$ , indicating a significant effect. Therefore, these results support the first hypothesis (H1) which states that work motivation has a positive effect on performance. Studies by Insani (2020) and Manurung (2017) also support these findings, confirming that high work motivation has a positive impact on employee performance. The addition of social exchange theory by Blau (2017) provides an interesting perspective in the results of this study, where individuals tend to make social exchanges with the organization where they work. When the organization provides support, employees tend to contribute well in performance. In this





context, work motivation can be viewed as a form of social exchange between employees and organizations.

The positive sign of the path coefficient (0.407) indicates that the effect of work motivation on organizational climate is positive. Significance is seen from the t-statistic value of  $5.559 > 1.65$  and p-value  $0.000 < 0.05$ , indicating a significant effect. Therefore, these results support the second hypothesis (H2) which states that work motivation has a positive effect on organizational climate. These results are also reinforced by Edgar H. Schein's (2010) theory, which highlights that motivated individuals tend to be more active in reinforcing organizational values and norms, so that the desired organizational climate can be strengthened. Research by Utama (2017) adds a new dimension to this understanding by showing that organizational climate can also have a significant and positive influence on employee motivation.

The positive path coefficient sign (0.279) indicates that the effect of transformational leadership style on performance is positive. Significance is seen from the t-statistic value of  $1.981 > 1.65$  and p-value  $0.024 < 0.05$ , indicating a significant effect. Therefore, these results support the third hypothesis (H3) which states that transformational leadership style has a positive effect on performance. Findings from research by Febrina & Prawira (2019) and Hidayat (2022) also corroborate these findings, showing that transformational leadership style contributes positively to employee performance. Thus, transformational leadership style is not only an effective strategy in achieving organizational goals, but also an important factor in shaping work motivation and improving employee performance.

The positive sign of the path coefficient (0.510) indicates that the effect of transformational leadership style on organizational climate is positive. Significance is noted from the t-statistic value of  $6.880 > 1.65$  and p-value of  $0.000 < 0.05$ , indicating a significant effect. Thus, these results support the fourth hypothesis (H4) that transformational leadership style has a positive effect on organizational climate. This finding is in line with previous research by Amelia (2018), which shows that transformational leaders have the ability to influence organizational climate directly through inspiration, motivation, and direction given to their subordinates.

The positive sign of the path coefficient (0.174) indicates that the effect of organizational climate on performance is positive. Significance is seen from the t-statistic value of  $1.800 > 1.65$  and p-value  $0.036 < 0.05$ , indicating a significant effect. Therefore, these results support the fifth hypothesis (H5) which states that organizational climate has a positive effect on performance. This shows that the sense of responsibility and togetherness formed from the organizational climate in the company makes a good contribution to employee performance.

The effect of mediation is evaluated based on the path coefficient, t-statistic, and p-value.

Table 15 – Hypothesis Testing Result Indirect Effect (Mediation)

	Hypothesis	Path Coefficient	T-Statistic	P-Values	Result
H6	Work Motivation -> Organizational Climate -> Performance	0,071	1,600	0,055	Rejected
H7	Transformational Leadership Style -> Organizational Climate -> Performance	0,089	1,728	0,042	Accepted

Source: Data Processed, 2024.

The test results concluded that the sixth hypothesis (H6), which links work motivation to performance through organizational climate as a mediator, was rejected because the indirect effect was not significant. Although there is a path coefficient of 0.071 indicating an indirect effect, the p-value of 0.055 indicates statistical insignificance. This may be due to other factors influencing, weakening or making the effect insignificant. Other findings by Evikasari & Praptiestrini (2020) also explained that organizational climate has an insignificant effect on employee performance. Although the findings of this study are not in accordance with what is expected based on organizational climate theory, there are several possible explanations including: organizational situations or contexts that have different characteristics than those



assumed in theory or previous research. There may be other factors in the organization that affect employee performance, such as organizational structure, work systems, or management support, which can also determine performance. Although there are some studies that support the relationship, it is possible that different contexts or research methodologies may produce different findings. The reason may be found in the application of the theory, the instrument, or the sample used. A strong theory is not necessarily appropriate or relevant when applied to all types of subjects (Widhiarso, 2012). In this cases, the rejection of this hypothesis can be interpreted as a challenge for organizations to better understand their internal dynamics. Therefore, companies are expected to develop and optimize the potential influence of a stronger organizational climate in shaping employee motivation in order to significantly improve performance.

The seventh hypothesis (H7) linking transformational leadership style with performance through organizational climate as a mediator is supported by the test results. The path coefficient of 0.089 indicates an indirect effect, with a p-value of 0.042 indicating statistical significance. The hypothesis is accepted according to the test results. Furthermore, these research results are consistent with previous findings by Amelia (2018), Alfarisi et al. (2023), and Kartini et al. (2017), which showed that transformational leadership has a positive and significant impact on organizational climate and employee performance. A high sense of responsibility and support provided by colleagues and supervisors reflects a collaborative work environment oriented toward achieving common goals.

## CONCLUSION

The research results at PT Esprite Nomade Banyuwangi show a significant positive influence of work motivation on performance, work motivation on organizational climate, transformational leadership style on performance, and transformational leadership style on organizational climate. High work motivation contributes to performance. The effective implementation of transformational leadership style also positively impacts performance by creating an inspiring and motivating work environment.

Meanwhile, organizational climate has a significant positive effect on improving performance. Support from supervisors and a sense of being valued can contribute positively to performance. An interesting finding is that organizational climate does not significantly mediate the influence between work motivation and employee performance. This indicates that other factors outside of organizational climate may also indirectly affect this relationship. On the other hand, organizational climate significantly mediates the relationship between transformational leadership style and employee performance.

Based on the conclusions, this research provides several recommendations for the management of PT. Esprite Nomade Banyuwangi to implement programs that can enhance employee work motivation, provide training and development for leaders to more effectively implement transformational leadership styles, conduct regular evaluations of employee performance, and focus on creating a positive organizational climate through supportive management practices. For future researchers, it is suggested to broaden the scope by investigating other factors that may potentially influence work motivation, organizational climate, and employee performance.

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