

Enhancing Employee Performance through Competence, Motivation, and Transformational Leadership: The Strategic Role of Employee Engagement

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ABSTRACT

Businesses in the tourism services industry must possess superior, competitive human resources due to increasingly intense competition. Employee performance plays a crucial role in business success, particularly in the service sector, which is highly dependent on service quality. This study aims to examine the effects of service competence, work motivation, and transformational leadership on employee performance at PT HAS Nawara Nusantara, with employee engagement serving as a mediating variable. This research employs a quantitative, survey-based approach. Data were collected through questionnaires distributed to employees of PT HAS Nawara Nusantara who had worked at the company for at least 1 year. Both direct and indirect relationships among variables were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS). The results indicate that employee engagement is positively and significantly influenced by service competence, work motivation, and transformational leadership. Furthermore, employee engagement has a positive and significant effect on employee performance, whereas service competence and work motivation do not have a significant direct effect on employee performance. Employee engagement serves as a mediating variable in the relationships among service competence, work motivation, transformational leadership, and employee performance. In conclusion, companies can implement human resource development strategies by enhancing service competence, strengthening work motivation, and applying transformational leadership to foster high and sustainable employee engagement.

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1. INTRODUCTION

The development of the business world in the current era of digital transformation has created new dynamics in human resource (HR) management [1]. Organizations across

various sectors are required not only to focus on productivity but also on sustainable high-performance development [2]. The World Economic Forum emphasizes that the competitive advantage of organizations in the 21st century no longer relies solely on financial capital but instead on human capacity to adapt, innovate, and actively engage in value-creation processes [3]. In an era of increasingly intense and dynamic business competition, organizational success is determined not only by employees' technical abilities but also by their level of engagement with their work and the organization. The concept of Employee Engagement has become a primary concern because it is directly related to productivity, innovation, and the sustainability of high performance within companies [4]. Employees with high engagement levels tend to show enthusiasm, commitment, and a strong sense of responsibility for their work outcomes [5].

According to Gallup [6], only about 23% of employees worldwide are considered engaged with their work, while the remainder are either not engaged or actively disengaged. In Southeast Asia, employee engagement is even below the global average, at only 19%. This indicates that many organizations have yet to successfully cultivate a work culture that fosters employees' emotional and psychological attachment to the company. A similar condition is found in Indonesia. Based on a survey conducted by Talentiv [7] involving 2,000 employees across various industrial sectors, only 21% demonstrated a high level of engagement, 56% a moderate level, and 23% a low level. This low engagement is generally caused by a lack of managerial support, misalignment between workload and rewards, and limited opportunities for personal development.

Employee performance, when mediated by employee engagement, has a significant impact on organizational performance [8]. Research by Bakker et al. [9] shows that engaged employees are 21% more likely to achieve performance targets, have 41% lower absenteeism, and can increase company profitability by up to 17% compared to disengaged employees. This demonstrates that engagement serves as a primary driver of high performance. In the context of human resources, employee performance does not emerge automatically; it is influenced by factors such as service competence, work motivation, and transformational leadership. For example, transformational leaders, through stakeholder-based collaborative development, strengthen leadership effectiveness and organizational performance by fostering synergy among leaders [10], fostering a high work spirit and ownership through an inspiring vision and emotional support for subordinates. Meanwhile, competence and work motivation contribute to employees' confidence in delivering the best service and their commitment to organizational goals [11].

Thus, the phenomenon observed at PT HAS Nawara Nusantara indicates that achieving high performance cannot rely solely on technical competence and formal work systems but also requires strengthening employee performance. Internal company evaluations have indicated a significant decline in employee performance. PT HAS Nawara Nusantara has faced significant challenges, including declining employee performance, which has directly impacted customer satisfaction. Internal data show that employee performance fluctuated, with a general downward trend. In 2021, the performance score was 84, increasing slightly to 86 in 2022, indicating a temporary short-term improvement. However, in 2023, the score dropped to 84, and in 2024, it further decreased to 76. This

decline indicates unresolved structural issues, particularly regarding service competence, work motivation, and leadership effectiveness within the company.

This downward trend in performance aligns with weakening customer satisfaction levels. Customer satisfaction scores, which reached 86 in 2021, increased slightly to 87 in 2022, but then declined to 86 in 2023 and dropped further to 80 in 2024. This pattern confirms that the quality of service customers perceive closely corresponds to employee performance. When employee performance weakens, customers experience delays, reduced information accuracy, and increased service complaints. According to Mangkunegara [12], employee performance is the quality and quantity of work an employee achieves in carrying out assigned responsibilities. This means that performance is influenced not only by technical skills but also by an individual's willingness and work spirit. This aligns with Robbins and Judge [13], who state that performance is a function of ability, motivation, and opportunity to perform. Therefore, employee performance positively and significantly affects customer satisfaction, and improvement must be comprehensive, encompassing competence enhancement, increased motivation, and effective leadership support [14].

In Indonesia, performance remains a key concern. According to the Ministry of Manpower of the Republic of Indonesia [15], labor productivity still lags by more than 50% compared to that of advanced OECD countries. This is largely due to low competence and weak results-oriented performance assessment systems. Organizations with strong leadership support and a positive work culture experience performance improvements of up to 21%, while those that neglect human factors experience declining productivity and high turnover [6].

Empirical studies indicate that the combination of competence, motivation, and leadership style strongly influences employee performance. The employees with high competence and strong motivation can increase individual performance by up to 28%, especially when led by transformational leaders who provide support and inspiration [16]. Organizations with transformational leaders have 26% higher organizational effectiveness, which directly impacts productivity and work results [17]. This highlights the importance of companies taking a strategic, sustainable approach to enhancing employee performance, including strengthening service competence, increasing motivation, and implementing transformational leadership that inspires, guides, and empowers employees. Employee engagement plays a critical role as the mediator among these variables, ensuring that employees not only perform effectively but are also psychologically motivated to give their best effort.

Strengthening employee engagement is thus a key strategy in building high performance in the era of digital transformation and global competition. High engagement levels not only affect individual performance but also cultivate an adaptive, collaborative, and customer-value-driven organizational culture. The State of Human Capital 5.0 emphasizes the importance of digital competence, intrinsic motivation, and transformative leadership as determinants of organizational success in facing global challenges [17]. In this context, employee engagement acts as a crucial catalyst linking individual and organizational factors to drive high performance. In Indonesia, the role of human resources in enhancing national competitiveness is also gaining attention. According to the Ministry

of Manpower of the Republic of Indonesia [15], the main challenges in the Indonesian workforce are competency gaps and low employee engagement, particularly in the service and energy sectors. The report highlights that labor productivity in Indonesia still lags behind that of other ASEAN countries, such as Malaysia and Thailand.

This phenomenon indicates that modern HR management must focus on strengthening service competence, enhancing work motivation, and applying transformational leadership that fosters employee engagement [18]. In modern business, particularly in service and public sectors, service competence is a key determinant of customer satisfaction and organizational performance. It encompasses technical skills, knowledge, attitudes, and behaviors that enable employees to deliver service in line with company standards and customer expectations. According to the Ministry of Manpower of the Republic of Indonesia [15], 47% of Indonesia's workforce lacks industry-standard competencies, particularly in customer service excellence. This deficiency directly impacts productivity and the company's image.

Meanwhile, PwC's Global [19] reports that 82% of customers consider service quality a primary factor in brand loyalty, yet only 37% of companies provide continuous service competence training. Service competence significantly affects employee performance, especially in banking and public service sectors. Employees with strong interpersonal, communication, and empathy skills can increase customer satisfaction by up to 25% compared to those with low competence [20]. In addition to competence, work motivation drives employees to achieve and remain in the organization. Motivation, both internal and external, propels individuals to achieve organizational goals. In the era of economic uncertainty and rapid technological change, work motivation is a major challenge for many companies in Indonesia.

A survey of 150 companies found that 61% of employees experienced decreased motivation due to a lack of fair recognition and limited career development opportunities, resulting in productivity declines of up to 17% in certain service and manufacturing sectors [21]. High work motivation can improve individual performance by up to 32%, particularly when supported by transparent reward systems and inspiring leadership [22]. LinkedIn [23] also found that 78% of employees in Southeast Asia prefer to remain in organizations that recognize their achievements rather than merely receive a salary increase, highlighting the psychological and cultural dimensions of motivation.

Transformational leadership also plays a critical role in shaping employee behavior, spirit, and performance. Transformational leaders focus not only on targets but also on inspiring, guiding, and developing subordinates' potential. Klein et al. [24] found that companies with transformational leaders have 27% higher employee engagement and 20% higher productivity than those with transactional leadership, and that transformational leadership can reduce turnover by up to 15%. Research by Susanto et al. [25] in Indonesia's banking sector shows that transformational leadership significantly influences employee motivation and performance. Leaders who provide guidance, inspiration, and personal support enhance loyalty and team spirit. Further revealed that transformational leaders who promote innovation and team trust contribute to a 26% increase in organizational performance on average [17].

Transformational leadership and employee competence positively affect work motivation, which in turn improves performance. Leaders who inspire and provide intellectual support are key to building work spirit and high performance. Digital transformation also demands leaders who can inspire change, not just manage tasks [26]. Transformational leaders can stimulate intrinsic motivation through shared vision, personal support, and individual development, serving as catalysts for engagement and high performance. The relationship between competence, motivation, and leadership and performance is mediated by employee engagement, underscoring its strategic importance in modern HR strategy design [26]. In Indonesia, there is an urgent need to strengthen HR capacity through systematic competency management and visionary leadership development [27]. Amid economic fluctuations and technological disruption, organizations seeking to survive and excel must shift HR management from an administrative to a strategic, high-performance orientation [28]. Beyond individual and leadership factors, Armstrong and Taylor [29] stress the importance of performance management systems focused on continuous improvement. Such systems assess not only outcomes but also work processes, behaviors, and adaptability to change. In the digital era, performance metrics increasingly include collaboration, creativity, and innovation capabilities. Aryanti and Ali [10] emphasize that superior employee performance results from the synergy of multiple supporting factors. Service competence ensures optimal work quality, motivation drives effort and accountability, and transformational leadership provides direction, inspiration, and encouragement for employees to exceed expectations. Together, these factors create productive, innovative, and competitive performance, forming the foundation for organizational success in achieving excellence amid global competition. Thus, the main challenge for organizations in Indonesia today is not only to enhance individual capacity but also to manage motivation and engagement so that employees are highly committed to organizational goals. This is the primary relevance of this study, particularly for organizations with complex operational characteristics such as PT HAS Nawara Nusantara.

As a tour and travel company, PT HAS Nawara Nusantara faces significant challenges maintaining high performance amid increasing competition in the tourism industry and customer demands for fast, personalized, and high-quality services. High performance for service companies like PT HAS Nawara Nusantara is measured not only by sales targets or customer numbers, but also by the company's ability to consistently deliver exceptional service experiences. However, the company faces internal constraints that could hinder achieving high performance. First, regarding service competence, some employees lack adequate technical skills and communication skills to deliver services in accordance with company standards. This mismatch results in inconsistent service quality across response speed, complaint handling, and explanations of products or travel packages. Second, employee motivation tends to fluctuate. Suboptimal reward systems and limited moral and emotional support from management can leave some employees without a strong internal drive to achieve maximum performance. This situation reduces work spirit, responsibility, and commitment, which directly affects customer satisfaction and loyalty in service industries. Rukmana and Mulyana [30] state that effective leadership and high motivation significantly enhance employee performance. Prihanti et al. [31] found that democratic

leadership and work commitment positively influence motivation and employee satisfaction. These findings support the notion that participative leadership fosters a productive, performance-oriented work environment. Third, transformational leadership, ideally the main driver of work spirit and collective commitment, has not been fully realized. Some unit leaders still employ instructional and administrative styles, lacking the role of inspirers, motivators, and mentors who can stimulate innovation among employees. Limited two-way communication weakens trust, synergy, and active participation in decision-making. Royantie and Sumarti [26] affirm that transformational leadership and employee competence are key factors affecting motivation and performance. Leaders' ability to inspire and guide subordinates is crucial for achieving high performance in modern organizations.

This condition impacts employee engagement, reflecting employees' emotional and psychological attachment to the company. Observations indicate that some employees exhibit low participation and loyalty, as evidenced by minimal initiative in service improvement and limited involvement in company development programs. Recent studies [9] emphasize that high employee engagement is critical for creating sustainable high organizational performance. In this context, this study aims to empirically examine how competence, motivation, and transformational leadership influence high employee performance, with employee engagement as a mediating variable. This approach is expected to provide a comprehensive understanding of effective HR development strategies to enhance PT HAS Nawara Nusantara's competitiveness in the tour and travel industry.

2. METHOD

This study is a quantitative explanatory research with a cross-sectional design. It aims to measure and explain the cause-and-effect relationships among variables, namely service competence, work motivation, and transformational leadership on employee performance, with employee engagement serving as a mediating variable. The population of this study comprises all permanent employees of PT HAS Nawara Nusantara working across various operational and customer service units. Due to the small population (73 employees), the study employed purposive sampling, a nonprobability sampling technique, with the following criteria: permanent employees with at least 1 year of service, directly involved in customer service or core operational activities, and willing to complete the research questionnaire voluntarily.

This study employed both primary and secondary data collection methods. Primary data were collected through closed-ended questionnaires distributed to permanent employees, both offline and online, to measure service competence, work motivation, transformational leadership, employee engagement, and employee performance. Secondary data were collected from journals, books, company reports, and official publications to support the analysis and provide theoretical context. The research instrument consisted of a questionnaire using a five-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree) designed based on the indicators of each variable, enabling the measurement of respondents' perceptions, attitudes, and experiences regarding the studied phenomena. The questionnaire method was chosen because it enables efficient data collection from a large number of respondents and facilitates quantitative data analysis. Data were collected via structured

questionnaires from permanent employees and analyzed using Partial Least Squares (PLS) in SmartPLS 4 to empirically test both direct and indirect relationships among the variables.

3. RESULTS AND DISCUSSION

3.1 Result

Measurement Model Analysis (Outer Model)

The outer model analysis examines the relationships between latent variables and their indicators. In other words, the outer model defines how each indicator relates to its latent variable.

Validity Test

Table 1. Validity Test Results

Variable	Indicator	Outer Loadings	Note
Service Competence (X1)	X1.1	0.750	Valid
	X1.2	0.731	Valid
	X1.3	0.825	Valid
	X1.4	0.788	Valid
	X1.5	0.813	Valid
	X1.6	0.838	Valid
Work Motivation (X2)	X2.1	0.768	Valid
	X2.2	0.829	Valid
	X2.3	0.730	Valid
	X2.4	0.805	Valid
	X2.5	0.762	Valid
	X2.6	0.814	Valid
	X2.7	0.751	Valid
	X2.8	0.735	Valid
Transformational Leadership (X3)	X3.1	0.849	Valid
	X3.2	0.841	Valid
	X3.3	0.751	Valid
	X3.4	0.781	Valid
	X3.5	0.843	Valid
	X3.6	0.750	Valid
	X3.7	0.780	Valid
	X3.8	0.823	Valid
Employee Engagement (Z)	Z1	0.871	Valid
	Z2	0.893	Valid
	Z3	0.905	Valid
	Z4	0.808	Valid
	Z5	0.853	Valid
	Z6	0.805	Valid
Employee Performance (Y)	Y1	0.795	Valid
	Y2	0.782	Valid
	Y3	0.704	Valid
	Y4	0.812	Valid
	Y5	0.839	Valid
	Y6	0.826	Valid
	Y7	0.753	Valid
	Y8	0.724	Valid

Source: Processed Primary Data, 2025

The validity test assesses the extent to which the items in the research instrument accurately reflect the constructs being measured. In this study, validity testing includes both

convergent and discriminant validity. Convergent validity ensures that indicators within a construct are sufficiently consistent, while discriminant validity demonstrates clear distinctions between different constructs. According to the general rule of thumb, an indicator’s loading factor is considered valid if it is ≥ 0.7 . However, for developing new models or indicators, loading factor values between 0.5 and 0.6 are still acceptable [32].

Table 1 shows the validity test results. Based on these outputs, all indicators for service competence, work motivation, transformational leadership, employee engagement, and employee performance have outer loadings above 0.70, indicating validity. This demonstrates that the indicators consistently represent all variable constructs.

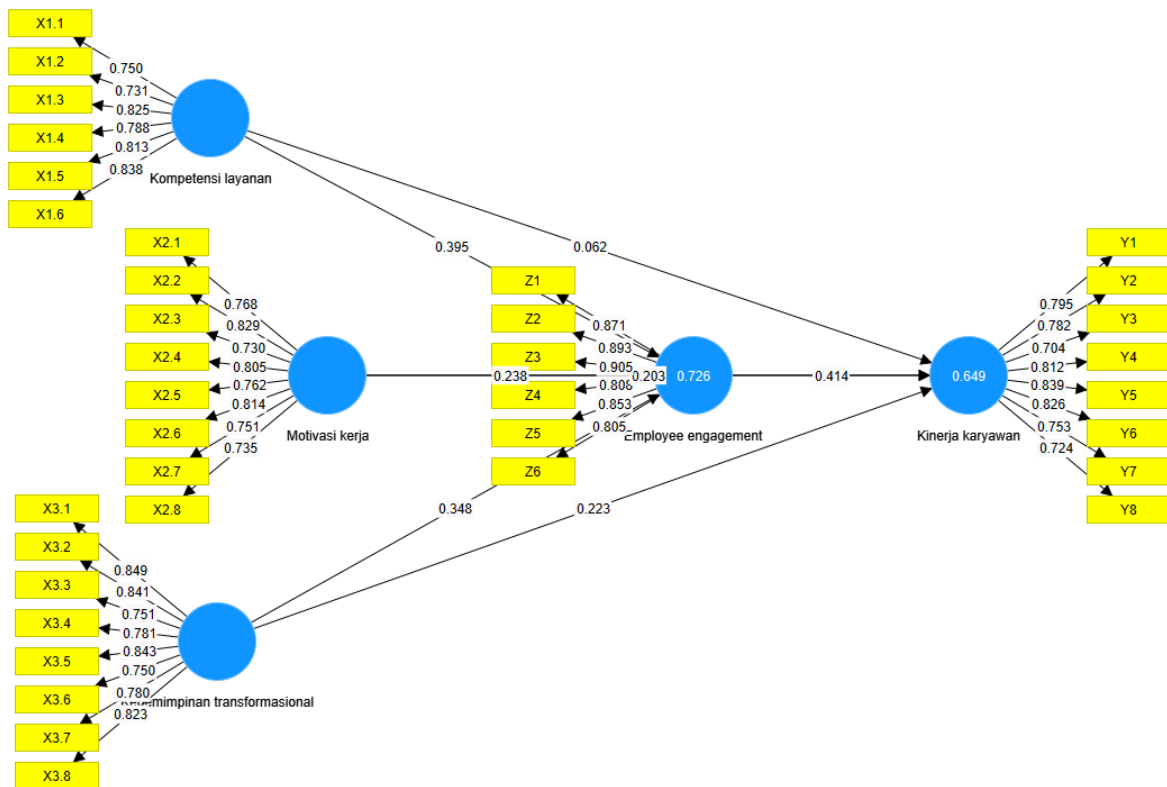


Figure 1. Validity Test Model

Average Variance Extracted (AVE)

Table 2. Average Variance Extracted (AVE) Values

Variable	AVE	Note
Service Competence	0.627	Valid
Work Motivation	0.601	Valid
Transformational Leadership	0.646	Valid
Employee Engagement	0.734	Valid
Employee Performance	0.610	Valid

Source: Processed Primary Data, 2025

The Average Variance Extracted (AVE) represents the amount of variance in manifest variables explained by their latent construct. The ideal AVE value is 0.5, indicating good convergent validity. This means the latent variable can explain more than half of the variance

of its indicators. According to Hair et al. [32], a variable is considered valid if its AVE is above 0.50. Table 2 shows that all variables have AVEs greater than 0.5, indicating good validity.

Discriminant Validity Test

Using the Fornell-Larcker criterion, the square root of the AVE for each construct should be higher than the correlations with other constructs. The discriminant validity test results are presented below:

Table 3. Fornell-Larcker Test Results

	Employee Engagement	Transformational Leadership	Employee Performance	Service Competence	Work Motivation
Employee Engagement	0.857				
Transformational Leadership	0.696	0.803			
Employee Performance	0.771	0.663	0.781		
Service Competence	0.768	0.527	0.659	0.792	
Work Motivation	0.757	0.586	0.697	0.769	0.775

Source: Processed Data using SmartPLS 4 (2025)

Based on the Fornell-Larcker approach, the analysis indicates that most constructs in the model are distinguishable from other constructs. Therefore, all constructs meet the discriminant validity criteria.

Reliability Test

The reliability test is used to assess whether a questionnaire, as an indicator of a variable or construct, yields stable, consistent results. A measurement instrument, such as a questionnaire, is considered reliable if it consistently produces accurate results. In this study, the reliability of the research instruments was tested using Composite Reliability and Cronbach's Alpha. The criteria for reliability assessment require that both Cronbach's Alpha and Composite Reliability values exceed 0.70.

Table 4. Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability
Service Competence	0.880	0.882
Work Motivation	0.905	0.907
Transformational Leadership	0.921	0.925
Employee Engagement	0.927	0.927
Employee Performance	0.908	0.913

Source: Processed Primary Data, 2025

The test results indicate that both Composite Reliability and Cronbach's Alpha values for all variables are above 0.70. This demonstrates that the instruments used are consistent and stable. In other words, all constructs or research variables are suitable measurement tools, and all questionnaire items used to measure each construct exhibit good reliability.

R Square (R²) Analysis

This analysis measures the percentage of variability in endogenous constructs explained by the variability of exogenous constructs. It also evaluates the goodness of fit of the structural equation model. The higher the R² value, the greater the explanatory power of the exogenous variables over the endogenous variables, indicating a better structural model. R² is categorized as: 0.75 = strong, 0.50 = moderate, 0.25 = weak [33].

Table 5. R Square Values

Variable	R-square	R-square adjusted
Employee Engagement	0.726	0.714
Employee Performance	0.649	0.629

Source: Processed Primary Data, 2025

The results indicate the percentage contribution of exogenous variables to endogenous variables. The R² for employee engagement is 0.726 (72.6%), meaning that service competence, work motivation, and transformational leadership collectively explain 72.6% of the variance in employee engagement, while the remaining 27.4% is influenced by other factors outside the model. The R² for employee performance is 0.649 (64.9%), indicating that service competence, work motivation, transformational leadership, and employee engagement together explain 64.9% of the variance in employee performance, with the remainder explained by other variables outside the model.

Predictive Relevance (Q²)

Predictive Relevance (Q²), also known as **Stone-Geisser**, tests the model's predictive capability. A Q² value above 0 indicates that the model has predictive relevance [34]. The Q² value is calculated as:

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2) \dots (1 - R_p^2)$$

where $R_1^2, R_2^2 \dots R_p^2$ are the R² values of exogenous variables in the model. If $Q^2 > 0$, the model has predictive relevance; if $Q^2 < 0$, the model lacks predictive relevance.

Table 6. Predictive Q² Values

Variable	SSO	SSE	Q ² (=1-SSE/SSO)
Employee Engagement	438.000	211.907	0.516
Employee Performance	584.000	367.270	0.371

The results show Q² values of 0.516 and 0.371. Since both values are greater than 0, the model demonstrates Predictive Relevance, indicating good predictive capability both internally and for new data. Therefore, the model is considered relevant and reliable for predicting endogenous constructs.

Hypothesis Testing (Inter-Variable Effects)

In this stage, the study examines whether the independent variables have significant effects on the dependent variable. Hypothesis testing is conducted by examining Path Coefficients, which display parameter coefficients and t-statistic significance values. The

significance of estimated parameters provides information on the relationships among research variables. The threshold for accepting or rejecting hypotheses is $p < 0.05$.

Table 7. Path Coefficients

Path	Coefficient	t-statistics	p-value
Service Competence → Employee Engagement	0.395	3.819	0.000
Work Motivation → Employee Engagement	0.238	2.110	0.035
Transformational leadership → Employee Engagement	0.348	4.835	0.000
Service Competence → Employee Performance	0.062	0.480	0.632
Work Motivation → Employee Performance	0.203	1.552	0.121
Transformational leadership → Employee Performance	0.223	2.444	0.015
Employee Engagement → Employee Performance	0.414	3.038	0.003

Findings:

- 1. Service Competence → Employee Engagement**
Service competence has a positive and significant effect on employee engagement (coefficient = 0.395, $t = 3.819$, $p = 0.000$). Since $p < 0.05$, the hypothesis is accepted. This indicates that higher employee service competence increases their engagement with the organization.
 - 2. Work Motivation → Employee Engagement**
Work motivation also has a positive and significant effect on employee engagement (coefficient = 0.238, $t = 2.110$, $p = 0.035$). Although the effect is smaller compared to service competence and transformational leadership, it demonstrates that work motivation contributes to employee engagement. The hypothesis is therefore accepted.
 - 3. Transformational leadership → Employee Engagement**
Transformational leadership has a positive and significant effect on employee engagement (coefficient = 0.348, $t = 4.835$, $p = 0.000$). This suggests that an inspiring, visionary, and individually attentive leadership style significantly enhances employee engagement. The hypothesis is accepted.
 - 4. Service Competence → Employee Performance**
Service competence does not have a significant effect on employee performance (coefficient = 0.062, $t = 0.480$, $p = 0.632$). Since $p > 0.05$, the hypothesis is rejected. This indicates that service competence alone does not directly improve employee performance.
 - 5. Work Motivation → Employee Performance**
Work motivation also does not have a significant effect on employee performance (coefficient = 0.203, $t = 1.552$, $p = 0.121$), suggesting that motivation alone is insufficient to directly enhance employee performance. The hypothesis is rejected.
 - 6. Transformational leadership → Employee Performance**
Transformational leadership has a positive and significant effect on employee performance (coefficient = 0.223, $t = 2.444$, $p = 0.015$), indicating that this leadership style can directly improve employee performance. The hypothesis is accepted.
 - 7. Employee Engagement → Employee Performance**
-

Employee engagement has a positive and significant effect on employee performance (coefficient = 0.414, $t = 3.038$, $p = 0.003$). This finding shows that higher employee engagement leads to better performance outcomes. The hypothesis is accepted.

Service competence, work motivation, and transformational leadership significantly influence employee engagement, which in turn positively affects employee performance. However, only transformational leadership among the independent variables has a direct significant effect on employee performance, while service competence and work motivation do not directly improve performance but may have an indirect effect through employee engagement.

Mediation Effect Testing

The mediation effect was examined using the Specific Indirect Effect method. This test evaluates the impact of predictors on outcomes that are influenced sequentially by one or more intervening variables. This study aimed to determine the role of employee engagement as a mediating variable between service competence, work motivation, transformational leadership, and employee performance. The mediation effect is considered significant if the p -value < 0.05 . The results of the specific indirect effect analysis are presented in the table below:

Table 8. Specific Indirect Effects

Path	Original Sample (O)	t-statistics	p-value
Transformational leadership → Employee Engagement → Employee Performance	0.144	2.684	0.008
Service Competence → Employee Engagement → Employee Performance	0.164	2.040	0.042
Work Motivation → Employee Engagement → Employee Performance	0.099	2.036	0.042

Findings:

1. Transformational leadership → Employee Engagement → Employee Performance
Transformational leadership has a positive and significant indirect effect on employee performance through employee engagement ($O = 0.144$, $t = 2.684$, $p = 0.008$). Since $p < 0.05$, the effect is statistically significant. This indicates that transformational leadership enhances employee performance by increasing employees' engagement with the organization.
2. Service Competence → Employee Engagement → Employee Performance
Service competence has a positive and significant indirect effect on employee performance through employee engagement ($O = 0.164$, $t = 2.040$, $p = 0.042$). This suggests that service competence does not directly improve performance, but by increasing employee engagement, it ultimately enhances performance. Employee engagement acts as an intervening variable in this relationship.
3. Work Motivation → Employee Engagement → Employee Performance
Work motivation also shows a positive and significant indirect effect on employee performance via employee engagement ($O = 0.099$, $t = 2.036$, $p = 0.042$). This

indicates that higher work motivation fosters stronger employee engagement, which in turn improves employee performance.

Employee engagement effectively mediates the influence of transformational leadership, service competence, and work motivation on employee performance. While some independent variables may not directly impact performance, their effect becomes significant when mediated by employee engagement.

3.2 Discussion

Effect of Service Competence on Employee Engagement

The results indicate that service competence has a positive and significant effect on employee engagement. This aligns with previous findings showing that job competence is positively related to employee engagement, as employees with strong service skills and knowledge tend to feel more confident in performing their tasks, leading to stronger emotional and task-related attachment to their work. Based on the Job Demands–Resources (JD-R) framework, job resources such as employees' skills and capabilities play a crucial role in fostering motivation and engagement, as these abilities are perceived as assets that support achievement and personal development at work. Thus, service competence functions as a job resource that triggers employees' psychological attachment to their organizational roles. These findings are consistent with those of Rezky et al. [35], who found that employee competence influences engagement because competent employees feel more capable and confident in performing their tasks. Service competence prepares employees to face work demands, thereby enhancing emotional and cognitive engagement. Pratama et al. [36] also demonstrated that employees with strong skills and capabilities experience increased work engagement because their work feels meaningful and aligns with their abilities. Therefore, service competence is a key factor in enhancing employee engagement.

Effect of Work Motivation on Employee Engagement

Work motivation has a positive and significant effect on employee engagement. This supports the theoretical understanding that strong motivation serves as an internal driver, motivating employees to actively participate in their work and increase their dedication and commitment to the organization. Intrinsic motivation energizes employees to overcome work challenges and maintain performance, resulting in higher engagement. This is reinforced by studies linking work motivation and engagement as part of effective human resource management in modern organizations. Sari and Andriyani [37] found that work motivation is closely related to employee engagement because motivation encourages employees to devote energy and attention to their work. Manurung and Desiana [38] also reported that work motivation contributes to increased work engagement as a psychological response to a supportive work environment. These findings confirm that work motivation is an important antecedent of employee engagement.

Effect of Transformational Leadership on Employee Engagement

Transformational leadership has a positive and significant effect on employee engagement. National research supports that transformational leadership increases employee

engagement and motivates employees to achieve higher work standards. In practice, transformational leaders provide a clear vision, inspiration, and individualized support, making employees feel valued and motivated to perform at their best. Transformational leadership serves as a job resource, enhancing engagement by fostering a supportive work climate and minimizing burnout. [36] found that transformational leadership positively relates to engagement by building trust and providing meaning in work. Sari and Andriyani [37] also indicated that transformational leadership enhances engagement by creating a meaningful work environment. Internationally, Dukhaykh et al. [39] confirmed that transformational leadership increases engagement by encouraging employees to develop and actively participate in their work.

Effect of Service Competence on Employee Performance

The findings show that service competence does not have a significant direct effect on employee performance. This suggests that strong service skills do not automatically translate into high performance, especially when structural organizational factors (e.g., suboptimal SOPs, inadequate reward systems, or limited resources) hinder employees from performing at their best. Competence often requires mediating factors, such as employee engagement or a supportive organizational culture, to significantly impact performance. Rezky et al. [35] also found that competence affects performance indirectly through engagement, while Natasya [40] emphasized that employee performance is more influenced by engagement than technical skills alone.

Effect of Work Motivation on Employee Performance

Work motivation does not significantly affect employee performance directly. This indicates that even if employees have internal drive, motivation alone is insufficient to improve measurable performance. Other factors, such as effective leadership, adequate job resources, or job satisfaction, are required for motivation to translate into optimal performance. This aligns with Manurung and Desiana [38], and Natasya [40], who found that motivation indirectly affects performance via engagement, highlighting its role as a psychological driver rather than a direct determinant.

Effect of Transformational Leadership on Employee Performance

Transformational leadership has a positive and significant effect on employee performance. Empirical studies in Indonesia show that transformational leaders improve productivity and performance by fostering a supportive work climate and providing clear guidance toward organizational goals. Kresna and Suryani [41] found that transformational leadership encourages employees to exceed targets, while Huang et al. [42] reported direct effects through increased energy and focus. Oktaviana [43] also highlighted that transformational leadership creates a positive work environment that enhances performance.

Effect of Employee Engagement on Employee Performance

Employee engagement positively and significantly affects employee performance, demonstrating that psychological attachment to work contributes to tangible outcomes. This

is consistent with empirical studies linking engagement to higher productivity and job performance. According to the JD-R framework, engagement mediates the relationship between job resources and performance outcomes. Other researchers emphasize that engagement is key to improving employee performance [35], [38], [40], [42].

Effect of Transformational Leadership on Employee Performance through Employee Engagement

Employee engagement mediates the relationship between transformational leadership and performance. Transformational leaders who provide inspiration, clear vision, individualized support, and intellectual stimulation increase engagement, which in turn enhances performance. This aligns with the JD-R model, highlighting transformational leadership as a primary job resource that enhances engagement and drives positive performance outcomes. Other studies support that engagement serves as a psychological mechanism linking transformational leadership to improved performance [44], [44], [45].

Effect of Service Competence on Employee Performance through Employee Engagement

Employee engagement significantly mediates the relationship between service competence and performance. At the same time, direct effects of service competence on performance were not significant, indirect effects via engagement show that competence enhances performance when employees are psychologically and emotionally engaged. This is consistent with Dalahmeh [46] and Kaya and Karatepe [47], who found that engagement transforms competence into productive behaviors that improve performance.

Effect of Work Motivation on Employee Performance through Employee Engagement

Employee engagement significantly mediates the relationship between work motivation and performance. Motivated employees become more energized, enthusiastic, and internally driven to engage in their work, which translates into better performance. This is supported by Self-Determination Theory, which posits that intrinsic motivation fosters engagement, leading to improved performance. Other researchers confirm that engagement acts as the psychological bridge connecting motivation and performance [48], [49], [50]. Thus, engagement plays a central role in translating work motivation into employee performance, underscoring the need for organizational strategies that strengthen both engagement and motivation.

4. CONCLUSION

Based on the study's results and the discussion presented, it can be concluded that service competence, work motivation, and transformational leadership play important roles in shaping employee engagement. Service competence has a positive and significant effect on employee engagement, as employees' service-related skills and abilities make them feel more capable and confident in performing their tasks, thereby enhancing their emotional and cognitive involvement in their work. Similarly, work motivation has a positive, significant effect on employee engagement, with highly motivated employees showing greater

enthusiasm, commitment, and dedication to assigned tasks. In addition, transformational leadership has a positive and significant effect on employee engagement, as leadership that provides individual consideration, inspiration, and support can create a supportive work environment and strengthen employees' attachment to their work and the organization.

However, the findings indicate that service competence and work motivation do not have a significant direct effect on employee performance. This suggests that service competence and motivation alone are not sufficient to improve performance without other supporting factors. In contrast, transformational leadership has a positive and significant effect on employee performance. Transformational leaders can enhance employee performance through clear direction, inspirational motivation, and employee empowerment. Furthermore, employee engagement has a positive and significant effect on employee performance, as employees with high engagement tend to perform better than those with lower engagement. Moreover, employee engagement has been shown to mediate the relationships among service competence, work motivation, transformational leadership, and employee performance, indicating that engagement plays a crucial role in translating these factors into optimal performance.

Based on these conclusions, organizations are advised to make employee engagement a central focus in human resource management, as it plays a vital role in improving performance. Efforts to enhance service competence, strengthen work motivation, and implement transformational leadership should be directed toward fostering stronger employee engagement. Meanwhile, future research is recommended to incorporate additional variables that may influence employee performance, such as job satisfaction, organizational culture, workload, and reward systems, to develop a more comprehensive research model and provide a deeper understanding of the determinants of employee performance.

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