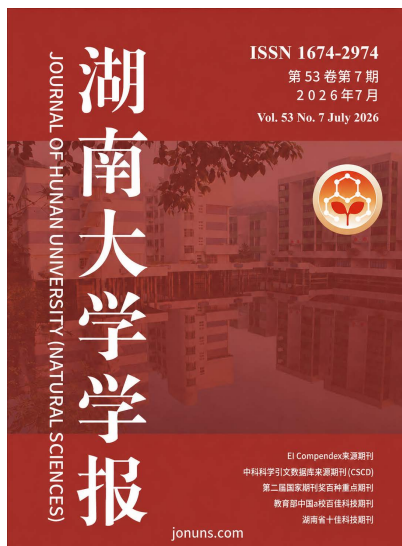




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Transformational Leadership and Employee Performance: The Mediating Roles of Work Engagement and Employee Well-Being and the Moderating Effect of Organizational Culture in Indonesia's Non-Bank Financial Services Industry

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Abstract: Employee performance is essential for organizational sustainability, particularly in Indonesia's highly competitive non-bank financial services industry. Although transformational leadership has been widely examined as an antecedent of employee performance, few studies have simultaneously considered motivational, psychological, and organizational mechanisms within a single framework, particularly in emerging market contexts. This study investigates the relationships among transformational leadership, work engagement, employee well-being, organizational culture, and employee performance. A quantitative cross-sectional survey was conducted among 203 employees from two Indonesian non-bank financial institutions. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results indicate that transformational leadership is positively associated with employee performance both directly ($\beta = 0.31, p < 0.001$) and indirectly through work engagement ($\beta = 0.207, p < 0.001$) and employee well-being ($\beta = 0.143, p = 0.006$). Organizational culture positively moderates the relationship between transformational leadership and employee performance ($\beta = 0.17, p = 0.012$), indicating that a supportive organizational culture strengthens the positive effect of transformational leadership on employee performance. These findings provide empirical support for an integrated framework that combines transformational leadership, psychological mechanisms, and organizational context in explaining employee performance in Indonesia's non-bank financial services industry. The study contributes to the leadership and organizational behavior literature



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and offers practical implications for leadership development, employee engagement, well-being initiatives, and organizational culture management.

Keywords: Transformational leadership; Work engagement; Employee well-being; Organizational culture; Employee performance; Non-bank financial services; Indonesia.

变革型领导与员工绩效：工作投入和员工福祉的中介作用及组织文化的调节效应——基于印度尼西亚非银行金融服务业的研究

摘要： 员工绩效对于组织的可持续发展至关重要，尤其是在印度尼西亚竞争激烈的非银行金融服务行业。尽管变革型领导作为员工绩效的重要前因变量已得到广泛研究，但在新兴市场背景下，较少有研究在同一理论框架中同时考察动机、心理和组织层面的作用机制。本研究旨在探讨变革型领导、工作投入、员工福祉、组织文化与员工绩效之间的关系。研究采用定量横截面调查方法，对印度尼西亚两家非银行金融机构的203名员工进行了调查。数据采用偏最小二乘结构方程模型（Partial Least Squares Structural Equation Modeling, PLS-SEM）进行分析。研究结果表明，变革型领导不仅对员工绩效具有显著的直接正向影响（ $\beta = 0.31, p < 0.001$ ），还通过工作投入（ $\beta = 0.207, p < 0.001$ ）和员工福祉（ $\beta = 0.143, p = 0.006$ ）对员工绩效产生显著的间接影响。此外，组织文化对变革型领导与员工绩效之间的关系具有显著的正向调节作用（ $\beta = 0.17, p = 0.012$ ），表明支持性的组织文化能够强化变革型领导对员工绩效的积极影响。研究结果为一个整合变革型领导、心理机制与组织情境的综合性理论框架提供了实证支持，并有助于进一步解释印度尼西亚非银行金融服务行业中的员工绩效。本研究不仅丰富了领导力与组织行为领域的相关文献，也为领导力发展、员工工作投入、员工福祉提升以及组织文化管理提供了实践启示。

关键词： 变革型领导；工作投入；员工福祉；组织文化；员工绩效；非银行金融服务；印度尼西亚。

1. Introduction

Employee performance is a critical determinant of organizational effectiveness and long-term sustainability, particularly in industries undergoing rapid digital transformation and intensifying competition, such as the non-bank financial services sector. In this context, employee performance encompasses not only productivity but also adaptability, service quality, and the ability to manage risk and meet customer expectations.

Empirical evidence suggests that employee performance in Indonesia's non-bank financial services industry has not fully met organizational expectations. Data from the Otoritas Jasa Keuangan (OJK, 2024) indicate that non-performing financing (NPF) ratios in multifinance companies remained relatively high, fluctuating between 2.3% and 2.4% in 2023, alongside persistent operational inefficiencies. These indicators reflect limitations in employees' ability to effectively manage credit risk, customer relationships, and

operational processes, all of which are closely associated with employee performance.

Furthermore, industry reports indicate that employee engagement levels in Indonesia's financial services sector remain relatively low, with fewer than 40% of employees classified as actively engaged (Aon Hewitt, 2022; Mercer, 2023). Prior research consistently shows that lower engagement is associated with reduced task performance, lower productivity, and diminished service quality (Corbeanu & Iliescu, 2023; Kim et al., 2021). Together, these findings reveal a clear performance gap between the increasing organizational demands placed on employees and the performance outcomes currently observed within the industry.

Despite this gap, research specifically examining the determinants of employee performance in Indonesia's non-bank financial services industry remains limited. Existing studies have primarily focused on broader organizational or financial outcomes rather than employee performance as the central outcome variable.

Consequently, the mechanisms through which leadership influences employee performance in this industry remain insufficiently understood.

Among various leadership approaches, transformational leadership has received considerable attention because of its ability to inspire employees, encourage innovation, and strengthen organizational commitment (Banks et al., 2016; Hoch et al., 2018; Wang et al., 2019). However, recent research suggests that leadership influences employee performance not only through direct relationships but also through underlying psychological and organizational mechanisms.

This study integrates Job Demands–Resources (JD-R) theory and Conservation of Resources (COR) theory to provide a more comprehensive explanation of these mechanisms. JD-R theory explains how transformational leadership functions as a valuable job resource that enhances employees' motivation and work engagement (Bakker & Albrecht, 2018; Bakker & Demerouti, 2017). In contrast, COR theory explains how transformational leadership helps employees acquire and preserve psychological resources that enhance employee well-being and resilience when facing workplace demands (Hobfoll et al., 2018; Inceoglu et al., 2018). Combining these complementary perspectives enables a more comprehensive understanding of both the motivational and psychological processes through which transformational leadership relates to employee performance.

Although previous studies acknowledge the importance of work engagement and employee well-being, these mechanisms have generally been examined independently. Such a fragmented perspective limits understanding of how multiple psychological mechanisms operate simultaneously. Moreover, leadership effectiveness is likely to depend on organizational context. Organizational culture, as a system of shared values and norms, may strengthen or weaken the relationship between transformational leadership and employee outcomes (Hartnell et al., 2019; Schein & Schein, 2017). Nevertheless, its moderating role remains underexplored, particularly within emerging market settings.

Based on the preceding discussion, three research gaps are identified. First, an empirical gap exists because previous studies have predominantly examined either work engagement or employee well-being as separate mediating mechanisms, with limited research integrating both within a single framework. Second, a theoretical gap remains regarding how JD-R theory and COR theory jointly explain the relationship between transformational leadership and employee performance. Third, a contextual gap exists because empirical evidence from Indonesia's non-bank financial services industry remains limited despite its strategic importance and unique organizational characteristics.

To address these gaps, this study develops and empirically tests an integrated research model examining the relationship between transformational leadership and employee performance through the parallel mediating roles of work engagement and employee well-being, while incorporating organizational culture as a moderating variable. Using Structural Equation Modeling–Partial Least Squares (SEM-PLS), this study provides a more comprehensive explanation of the psychological and organizational mechanisms associated with employee performance in Indonesia's non-bank financial services industry.

1.1. Research Novelty and Contribution

This study contributes to the leadership and human resource management literature by developing an integrated framework that examines the relationship between transformational leadership and employee performance through the parallel mediating roles of work engagement and employee well-being, while incorporating organizational culture as a moderating variable. Drawing on the complementary perspectives of Job Demands–Resources (JD-R) theory and Conservation of Resources (COR) theory, the proposed model simultaneously captures motivational, psychological, and contextual mechanisms within a single framework. In addition, the study extends the existing literature by providing empirical evidence from Indonesia's non-bank financial services industry, an emerging market context that has received limited attention in leadership research. Collectively, these contributions provide a more comprehensive understanding of how transformational leadership relates to employee performance across individual and organizational dimensions.

2. Literature Review and Hypotheses Development

2.1. Theoretical Foundations

This study draws on two complementary theoretical frameworks: Job Demands–Resources (JD-R) theory and Conservation of Resources (COR) theory. JD-R theory explains that job resources, including transformational leadership, enhance employees' motivation by fostering work engagement, which subsequently contributes to improved performance (Bakker & Demerouti, 2017). In contrast, COR theory emphasizes that individuals strive to acquire, maintain, and protect valuable psychological resources, suggesting that transformational leadership also promotes employee well-being by strengthening employees' capacity to cope with workplace demands (Hobfoll et al., 2018). Although both theories explain how leadership relates to employee outcomes, they capture different but complementary psychological processes. JD-R primarily explains the motivational pathway through work engagement, whereas COR

explains the resource preservation and well-being pathway. Integrating these theories therefore provides a more comprehensive theoretical foundation for understanding how transformational leadership relates to employee performance through both motivational and psychological mechanisms.

2.2. Hypotheses Development

Transformational leadership refers to a leadership style that inspires and motivates employees by articulating a compelling vision, providing intellectual stimulation, and offering individualized consideration (Bass & Riggio, 2006). Drawing on Social Exchange Theory (Blau, 1964), employees tend to reciprocate supportive and inspirational leadership with positive work outcomes. Accordingly:

H1: Transformational leadership positively affects employee performance.

Drawing on JD-R theory, transformational leadership functions as a key job resource that fosters higher work engagement by stimulating enthusiasm, dedication, and active involvement in work (Bakker & Demerouti, 2017; Breevaart & Bakker, 2022). Therefore:

H2: Transformational leadership positively affects work engagement.

Work engagement—characterized by vigor, dedication, and absorption—has been consistently associated with improved performance outcomes, as engaged employees are more proactive, persistent, and committed to organizational goals (Bakker & Albrecht, 2018; Corbeanu & Iliescu, 2023).

H3: Work engagement positively affects employee performance.

Based on COR theory, transformational leadership behaviors that provide emotional support, recognition, and meaningful work experiences help employees build psychological resources and sustain well-being (Hobfoll et al., 2018; Inceoglu et al., 2018).

H4: Transformational leadership positively affects employee well-being.

Employees with higher levels of well-being demonstrate greater capacity to cope with stress, sustain motivation, and maintain productivity over time, contributing significantly to performance outcomes (Inceoglu et al., 2018; Montano et al., 2022).

H5: Employee well-being positively affects employee performance.

Organizational culture represents the shared values and norms that shape employee behavior and interpretation of leadership signals (Schein & Schein, 2017). In organizations with strong and supportive cultures, transformational leadership behaviors are more likely to be internalized and translated into improved performance. Therefore:

H6: Organizational culture positively moderates the

relationship between transformational leadership and employee performance, such that the positive effect is stronger when organizational culture is stronger.

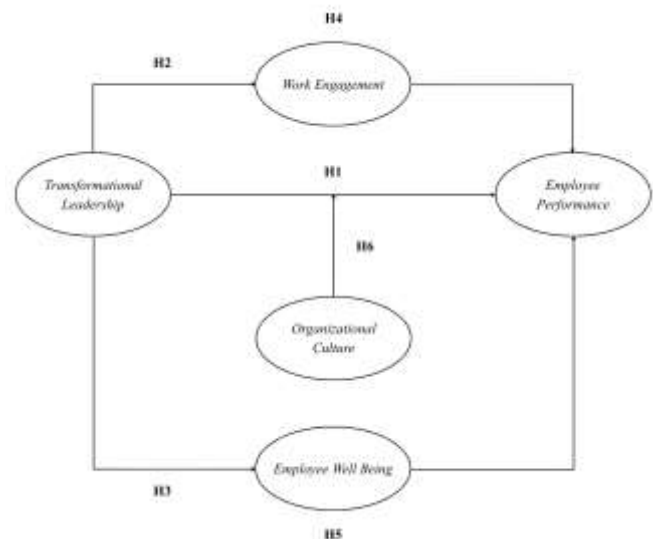


Figure 1. Proposed Research Framework

3. Research Method

3.1. Research Design and Sample

This study employed a quantitative explanatory research design to examine the relationships among transformational leadership, work engagement, employee well-being, organizational culture, and employee performance. A cross-sectional survey was adopted because it is appropriate for testing theoretical relationships among latent constructs using empirical data (Sekaran & Bougie, 2016).

The study was conducted in Indonesia's non-bank financial services industry, specifically involving employees of PT Moladin Finance Indonesia and BCA Finance. These organizations were selected because they operate in a highly competitive environment where employee performance is essential for organizational effectiveness and long-term sustainability.

Data were collected using a structured self-administered questionnaire. Respondents were selected using stratified purposive sampling based on two eligibility criteria: (1) permanent employment status and (2) a minimum of one year of work experience. These criteria ensured that respondents had sufficient experience with leadership practices, organizational culture, and work processes. A total of 203 valid questionnaires were obtained for analysis.

The sample size satisfied the minimum requirement for SEM-PLS analysis based on the 10-times rule, which recommends a minimum sample equal to ten times the largest number of indicators used to measure a construct. Because the largest construct (transformational leadership) consisted of 16 indicators, the minimum required sample size was 160 respondents. Therefore, the final sample of 203 respondents was considered adequate for the proposed analysis.

3.2. Measures

All constructs were measured using established and validated instruments adapted from prior studies to ensure content validity and reliability. Responses were recorded using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) (Sekaran & Bougie, 2016).

Transformational leadership was measured using items adapted from the Multifactor Leadership Questionnaire (MLQ), representing idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Bass & Riggio, 2006). Work engagement was measured using the Utrecht Work Engagement Scale (UWES), comprising vigor, dedication, and absorption (Schaufeli et al., 2006). Employee well-being was assessed using the multidimensional scale developed by Zheng et al. (2015), covering life well-being, workplace well-being, and psychological well-being. Organizational culture was measured using Denison and Mishra's (1995) framework, including involvement, consistency, adaptability, and mission. Employee performance was measured using a multidimensional scale consisting of task performance, contextual performance, adaptive performance, and counterproductive work behavior adapted from Krijgsheld et al. (2022) and Setiyadi et al. (2024).

To enhance content validity, the questionnaire was reviewed prior to data collection and pilot-tested with a small group of respondents to assess item clarity and relevance. The questionnaire was translated and back-translated to ensure linguistic equivalence between the English and Indonesian versions.

3.3. Data Analysis

The data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with SmartPLS 4.0. SEM-PLS was selected because it is appropriate for analyzing complex research models involving multiple latent constructs, mediation, and moderation relationships. In addition, SEM-PLS is suitable for prediction-oriented research, accommodates relatively moderate sample sizes, and does not require multivariate normality assumptions (Hair et al., 2021; Sarstedt et al., 2022).

The analysis was conducted in two stages. First, the measurement model (outer model) was evaluated by examining indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. Indicator reliability was assessed using outer loadings, while internal consistency reliability was evaluated using Cronbach's alpha and composite reliability. Convergent validity was assessed through the Average Variance Extracted (AVE), and discriminant validity was examined using the Heterotrait–Monotrait ratio (HTMT).

Second, the structural model (inner model) was

evaluated by assessing collinearity, coefficient of determination (R^2), predictive relevance (Q^2), effect size (f^2), and path coefficients. Hypotheses were tested using the bootstrapping procedure with 5,000 resamples to determine the significance of direct, mediating, and moderating effects. Mediation effects were further assessed using the Variance Accounted For (VAF) approach to determine the magnitude of indirect effects.

4. Results

4.1. Respondent Profile

Table 1 summarizes the demographic characteristics of the respondents. Of the 203 valid responses, the sample represents employees with diverse demographic backgrounds in terms of gender, age, educational attainment, organizational tenure, and job position, providing an adequate basis for subsequent statistical analysis.

Table 1. Respondent Profile (N = 203)

Profile	Frequency	Percentage (%)
Gender		
Male	112	55.2
Female	91	44.8
Age		
≤ 25 years	36	17.7
26–30 years	74	36.5
31–35 years	53	26.1
> 35 years	40	19.7
Education Level		
Diploma	28	13.8
Bachelor's Degree	132	65.0
Master's Degree	43	21.2
Work Experience		
1–3 years	66	32.5
4–6 years	77	37.9
7–10 years	39	19.2
> 10 years	21	10.4
Job Role		
Operational	97	47.8
Administrative	60	29.6
Supporting Functions	46	22.7
Company		
PT Moladin Finance Indonesia	104	51.2
PT BCA Finance	99	48.8

Source: Developed by the Authors

4.2. Descriptive Statistics

Table 2 presents the descriptive statistics for all study variables. The mean scores ranged from 4.08 to 4.25 on a five-point Likert scale, indicating generally favorable responses across all constructs. Transformational leadership recorded the highest mean score ($M = 4.25$, $SD = 0.61$), followed by employee performance ($M = 4.18$, $SD = 0.59$), organizational culture ($M = 4.15$, $SD = 0.63$), work engagement ($M = 4.12$, $SD = 0.65$), and employee well-being ($M = 4.08$, $SD = 0.67$). The relatively low standard deviation values indicate limited variation in respondents' perceptions across the measured constructs.

Table 2. Descriptive Statistics

Variable	Mean	Standard Deviation
Transformational Leadership	4.25	0.61
Work Engagement	4.12	0.65
Employee Well-Being	4.08	0.67
Organizational Culture	4.15	0.63
Employee Performance	4.18	0.59

4.3. Measurement Model Evaluation

4.3.1. Convergent Validity and Reliability

The measurement model was evaluated by assessing indicator reliability, internal consistency reliability, and convergent validity. Table 3 presents the results of the measurement model assessment. All indicator loadings ranged from 0.71 to 0.89, exceeding the recommended threshold of 0.70. Average Variance Extracted (AVE) values ranged from 0.60 to 0.67, demonstrating satisfactory convergent validity, as all values exceeded the recommended threshold of 0.50. In addition, composite reliability values ranged from 0.92 to 0.96, while Cronbach's alpha values for all constructs exceeded 0.70, confirming satisfactory internal consistency reliability. Overall, these results indicate that the measurement model demonstrates adequate reliability and convergent validity.

Table 3. Measurement Model Results

Construct	Loading Range	AVE	Composite Reliability	Cronbach's α
Transformational Leadership	0.72–0.88	0.63	0.96	≥ 0.70
Work Engagement	0.74–0.89	0.67	0.92	≥ 0.70

Construct	Loading Range	AVE	Composite Reliability	Cronbach's α
Employee Well-Being	0.71–0.86	0.65	0.94	≥ 0.70
Organizational Culture	0.73–0.87	0.62	0.95	≥ 0.70
Employee Performance	0.72–0.85	0.60	0.93	≥ 0.70

4.3.2. Discriminant Validity

Discriminant validity was evaluated using the Fornell–Larcker criterion and the Heterotrait–Monotrait (HTMT) ratio. As shown in Table 4, the square root of the AVE for each construct (diagonal elements) exceeded the corresponding inter-construct correlations, satisfying the Fornell–Larcker criterion. Furthermore, all HTMT values presented in Table 5 were below the recommended threshold of 0.85, indicating satisfactory discriminant validity. These findings confirm that each construct is empirically distinct from the others and adequately measures its intended concept.

Table 4. Fornell–Larcker Criterion

Construct	TL	WE	EWB	OC	EP
TL	0.79				
WE	0.74	0.82			
EWB	0.68	0.63	0.81		
OC	0.66	0.59	0.61	0.79	
EP	0.57	0.69	0.64	0.60	0.78

Note. Diagonal values are the square roots of AVE. TL = Transformational Leadership; WE = Work Engagement; EWB = Employee Well-Being; OC = Organizational Culture; EP = Employee Performance.

Table 5. Heterotrait–Monotrait (HTMT) Ratio

Construct	TL	WE	EWB	OC	EP
TL	—				
WE	0.78	—			
EWB	0.73	0.70	—		
OC	0.71	0.66	0.69	—	
EP	0.67	0.79	0.74	0.72	—

Note. All HTMT values < 0.85 , confirming discriminant validity.

4.4. Structural Model Evaluation

4.4.1. Explanatory Power and Effect Sizes

The structural model was evaluated by examining the coefficient of determination (R^2) and effect size (f^2).

As presented in Table 6, the model explains 56% of the variance in work engagement, 52% of the variance in employee well-being, and 68% of the variance in employee performance, indicating moderate to substantial explanatory power.

Table 7 presents the effect size (f^2) values for the structural relationships. Transformational leadership demonstrated a large effect on work engagement ($f^2 = 0.55$) and employee well-being ($f^2 = 0.46$), a moderate effect on employee performance ($f^2 = 0.14$), while work engagement ($f^2 = 0.12$) and employee well-being ($f^2 = 0.09$) exhibited moderate and small-to-moderate effects, respectively, on employee performance.

Table 6. Coefficient of Determination (R^2)		
Endogenous Variable	R^2	Interpretation
Work Engagement	0.56	Moderate
Employee Well-Being	0.52	Moderate
Employee Performance	0.68	Substantial

Table 7. Effect Size (f^2)		
Relationship	f^2	Interpretation
TL $\rightarrow$ WE	0.55	Large
TL $\rightarrow$ EWB	0.46	Large
TL $\rightarrow$ EP	0.14	Medium
WE $\rightarrow$ EP	0.12	Medium
EWB $\rightarrow$ EP	0.09	Small-to-Medium

4.4.2. Predictive Relevance

Predictive relevance was assessed using the Stone–Geisser Q^2 criterion. As shown in Table 8, all Q^2 values exceeded zero, indicating that the structural model possesses satisfactory predictive relevance for all endogenous constructs. Specifically, Q^2 values were 0.34 for work engagement, 0.31 for employee well-being, and 0.41 for employee performance, demonstrating that the model has adequate predictive capability.

Table 8. Predictive Relevance (Q^2)	
Endogenous Variable	Q^2
Work Engagement	0.34
Employee Well-Being	0.31
Employee Performance	0.41

4.5. Hypothesis Testing

Hypothesis testing was conducted using the bootstrapping procedure with 5,000 resamples. The

results are presented in Table 9. All hypothesized relationships were positive and statistically significant ($p < 0.05$), providing support for H1 through H6. Transformational leadership significantly influenced employee performance, work engagement, and employee well-being. In addition, both work engagement and employee well-being had significant positive effects on employee performance. The interaction effect between transformational leadership and organizational culture was also significant, indicating support for the proposed moderating effect.

Table 9. Hypothesis Testing Results					
Hypothesis	Relationship	β	t-value	p-value	Result
H1	TL $\rightarrow$ EP	0.31	4.12	< 0.001	Supported
H2	TL $\rightarrow$ WE	0.74	12.30	< 0.001	Supported
H3	TL $\rightarrow$ EWB	0.68	10.50	< 0.001	Supported
H4	WE $\rightarrow$ EP	0.28	3.67	< 0.001	Supported
H5	EWB $\rightarrow$ EP	0.21	2.98	0.003	Supported
H6	TL $\times$ OC $\rightarrow$ EP	0.17	2.54	0.012	Supported

Note. TL = Transformational Leadership; WE = Work Engagement; EWB = Employee Well-Being; OC = Organizational Culture; EP = Employee Performance. Bootstrapping with 5,000 resamples.

4.6. Mediation Analysis

The mediating effects of work engagement and employee well-being were examined using the bootstrapping procedure. As presented in Table 10, both indirect effects were positive and statistically significant ($p < 0.05$). The Variance Accounted For (VAF) values indicate partial mediation for both pathways. Specifically, work engagement accounted for 40% of the total effect (VAF = 40%), while employee well-being accounted for 32% (VAF = 32%). These findings indicate that transformational leadership influences employee performance both directly and indirectly through work engagement and employee well-being.

Table 10. Mediation Analysis (Indirect Effects)					
Pathway	Indirect Effect (β)	t-value	p-value	VAF	Mediation Type
TL $\rightarrow$ WE $\rightarrow$ EP	0.207	3.45	< 0.001	40%	Partial
TL $\rightarrow$ EWB $\rightarrow$ EP	0.143	2.76	0.006	32%	Partial

4.7. Moderation Analysis

The moderating effect of organizational culture was examined by incorporating the interaction term between transformational leadership and organizational culture. The results indicate that the interaction effect is positive and statistically significant ($\beta = 0.17$, $t = 2.54$, $p = 0.012$), providing support for H6. These findings indicate that organizational culture significantly moderates the relationship between transformational leadership and employee performance.

4.8. Multi-Group Analysis

Prior to conducting the Multi-Group Analysis (MGA), measurement invariance was established using the Measurement Invariance of Composite Models (MICOM) procedure. Table 11 presents the MGA results. No statistically significant differences were observed between PT Moladin Finance Indonesia and BCA Finance across any of the structural relationships, as all PLS-MGA and permutation test p-values exceeded 0.05. These findings indicate that the proposed structural model is invariant across the two organizations.

Table 11. Multi-Group Analysis (MGA) Results

Relatio nship	Moladin (β)	BCA (β)	PLS- MGA p	Permut ation p	Resu lt
TL $\rightarrow$ WE	0.76	0.71	0.214	0.198	Not Signi ficant
TL $\rightarrow$ EWB	0.70	0.66	0.238	0.221	Not Signi ficant
TL $\rightarrow$ EP	0.35	0.27	0.172	0.160	Not Signi ficant

5. Discussion

5.1. Transformational Leadership and Employee Performance

The findings demonstrate that transformational leadership has a positive and significant direct effect on employee performance, supporting H1. This result is consistent with previous studies indicating that transformational leaders motivate employees by articulating a clear vision, encouraging innovation, and providing individualized support, thereby enhancing employees' work performance (Banks et al., 2016; Wang et al., 2019).

The findings also support the proposition of Job Demands–Resources (JD-R) theory that transformational leadership functions as an important job resource that motivates employees to perform effectively. Within Indonesia's non-bank financial services industry, transformational leadership appears to promote employee performance not only through direct influence but also by creating a work environment that

supports employees in accomplishing their responsibilities.

5.2. The Mediating Roles of Work Engagement and Employee Well-Being

The results indicate that both work engagement and employee well-being significantly mediate the relationship between transformational leadership and employee performance, supporting H2 through H5. These findings suggest that transformational leadership enhances employee performance by simultaneously strengthening employees' motivational state and psychological well-being.

The findings are consistent with JD-R theory, which explains that transformational leadership serves as a valuable job resource that enhances work engagement, and with Conservation of Resources (COR) theory, which emphasizes the importance of preserving psychological resources to maintain employee well-being. By integrating these two theoretical perspectives, this study provides empirical evidence that motivational and psychological mechanisms jointly explain how transformational leadership contributes to employee performance.

5.3. Relative Importance of the Mediating Mechanisms

The mediation analysis indicates that work engagement accounts for a larger proportion of the indirect effect than employee well-being. Although both mediators significantly contribute to employee performance, work engagement demonstrates a relatively stronger mediating role in the proposed model.

This finding suggests that employees' motivational investment in their work plays a particularly important role in translating transformational leadership into higher performance, while employee well-being provides additional psychological support that contributes to sustained work effectiveness. These results are generally consistent with previous studies highlighting the close relationship between work engagement and job performance.

5.4. The Moderating Role of Organizational Culture

The findings confirm that organizational culture positively moderates the relationship between transformational leadership and employee performance, supporting H6. This indicates that the effectiveness of transformational leadership is stronger in organizations characterized by supportive cultural values and shared organizational norms.

This result is consistent with contingency-based leadership perspectives, which suggest that leadership effectiveness depends not only on leader behavior but also on the organizational context in which leadership is exercised. A supportive organizational culture provides an environment that enables transformational leadership

behaviors to be more effectively translated into improved employee performance.

5.5. Multi-Group Analysis

The Multi-Group Analysis indicates that the structural relationships proposed in this study do not differ significantly between PT Moladin Finance Indonesia and BCA Finance. These findings suggest that the proposed research model is applicable across both participating organizations despite differences in their organizational characteristics.

The absence of significant differences indicates that the relationships among transformational leadership, work engagement, employee well-being, organizational culture, and employee performance remain consistent across the two organizations. This finding provides additional support for the stability of the proposed model within the context of Indonesia's non-bank financial services industry.

6. Conclusion

This study examined the relationship between transformational leadership and employee performance by incorporating the mediating roles of work engagement and employee well-being, as well as the moderating role of organizational culture, within Indonesia's non-bank financial services industry. Using SEM-PLS analysis on data collected from 203 employees of PT Moladin Finance Indonesia and BCA Finance, the findings demonstrate that transformational leadership positively influences employee performance both directly and indirectly. Work engagement and employee well-being partially mediate this relationship, while organizational culture significantly strengthens the positive effect of transformational leadership on employee performance. In addition, the Multi-Group Analysis indicates that the proposed structural relationships are consistent across both organizations.

The study contributes to the leadership and organizational behavior literature by providing empirical evidence that motivational, psychological, and organizational factors jointly explain how transformational leadership enhances employee performance. The findings also provide practical implications for organizations by highlighting the importance of leadership development, initiatives that foster employee engagement and well-being, and the cultivation of a supportive organizational culture to improve employee performance.

This study has several limitations. First, the cross-sectional research design limits the ability to infer causal relationships among the variables. Second, the study was conducted in only two organizations within Indonesia's non-bank financial services industry, which may limit the generalizability of the findings to other industries or countries. Third, all variables were measured using self-reported data, which may be subject

to common method bias despite the use of validated measurement instruments.

Future research is encouraged to employ longitudinal or experimental research designs to strengthen causal inference, include organizations from different industries or national contexts to improve generalizability, and examine additional mediating or moderating variables that may further explain the relationship between transformational leadership and employee performance.

Declarations

Author Contributions

Conceptualization, Fachreza and Valerie; methodology, Fachreza and Valerie; software, Fachreza and Valerie; validation, Fachreza, Valerie, and Yohana; formal analysis, Fachreza and Valerie; investigation, Fachreza and Valerie; resources, Fachreza and Valerie; data curation, Fachreza and Valerie; writing—original draft preparation, Fachreza and Valerie; writing—review and editing, Fachreza, Valerie, and Yohana; visualization, Fachreza and Valerie; supervision, Yohana; project administration, Yohana; funding acquisition, None. All authors have read and agreed to the published version of the manuscript.

Data Availability Statement

Data available on request due to restrictions, e.g., privacy or ethical: The data presented in this study are available on request from the corresponding author. The data are not publicly available due to privacy and ethical considerations, as they contain personal information of the respondents.

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Conflicts of Interest

The author declares that there is no conflict of interests regarding the publication of this manuscript. In addition, the ethical issues, including plagiarism, informed consent, misconduct, data fabrication and/or falsification, double publication and/or submission, and redundancies have been completely observed by the authors.

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