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The Effects of Transformational Leadership and Individual Motivation on Employee Performance: A Case Study of Maen Kain in the Creative Industry

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ABSTRACT

This study examines how transformational leadership and individual motivation influence employee performance in an MSME such as Maen Kain in Semarang, which relies heavily on employee craftsmanship and creativity, making leadership and motivation critical for organizational success. The motivation behind this research stems from the recognition that strong leaders who can inspire and motivate their teams are critical, especially in the creative industry, where innovation and high productivity are constantly in demand. To gather insights, a quantitative approach was taken, involving a survey of 106 full-time employees at Maen Kain. The data were analyzed using multiple linear regression with SPSS version 25. The key variables examined included transformational leadership and personal motivation as independent factors, with employee performance as the dependent outcome. The results show that transformational leadership does not have a significant direct effect on employee performance ($\beta = -0.056$, $p > 0.05$). In contrast, both intrinsic motivation ($\beta = 0.240$, $p < 0.01$) and extrinsic motivation ($\beta = 0.274$, $p < 0.05$) positively and significantly affect performance. The model explained 13.6% of the variance in performance (Adjusted $R^2 = 0.136$). These results suggest that at Maen Kain, internal motivation and employee engagement are more influential in driving performance than leadership style alone. Based on these insights, it is recommended that the company focus on strengthening work systems and encouraging ongoing self-development to boost motivation and sustain high performance.

Keywords: Transformational Leadership, Employee Performance, Intrinsic Motivation, Extrinsic Motivation.

I. Introduction

The dynamics of globalization, fast technological advancements, and the rise of the digital economy have reshaped how organizations compete, innovate, and sustain growth. In today's fiercely competitive environment, staying alive isn't just about owning financial assets or physical resources; it increasingly depends on how well organizations can manage and develop their human capital (Aula et al., 2022). Employees are now seen as more than task performers; they act as innovators, collaborators, and drivers of value creation within the organization. As a result, employee performance remains central to an organization's



ability to stay competitive, influencing productivity, quality of service, and the capacity to innovate. Understanding employee performance involves assessing how individual behaviors and outcomes align with what the organization aims to achieve (Koopmans et al., 2014). Employees who perform well consistently produce high-quality work on time, show initiative, solve problems effectively, and enhance team performance. On the other hand, when performance drops, it can harm overall organizational results, leading to lower productivity, dissatisfied customers, and potential business setbacks. This ongoing challenge prompts scholars and business leaders to explore what influences employee performance, especially in emerging sectors and small-to-medium enterprises (SMEs), where resources are often limited and adaptability is key (Li, 2025)

In Indonesia, Micro, Small, and Medium Enterprises (MSMEs) form the backbone of the economy, contributing over 60% of the gross domestic product and employing a large segment of the workforce (Badan Pusat Statistik, 2023). Beyond their economic role, MSMEs are essential hubs for creativity and local innovation. Yet, they face persistent issues related to human resource management, such as fluctuating employee productivity, limited access to professional training, and reliance on informal incentive systems. These challenges are especially pronounced in the creative industry, where innovation and craftsmanship are essential to success. An illustrative example is Maen Kain, a creative MSME based in Semarang, Central Java, known for textile and embroidery products. The company's fast growth has been driven by consumer demand for handmade, customized fashion items. Its success depends heavily on the skills, creativity, and dedication of its employees. However, initial observations reveal a performance gap among staff; some are highly motivated and often surpass expectations, while others show minimal engagement, which impacts service quality and client satisfaction. This gap prompts important questions about what really influences employee performance in creative MSMEs. Leadership has long been recognized as a key factor affecting performance. Transformational leadership, in particular, is praised for its ability to inspire, enable, and align employees with organizational goals. (Bass & Riggio, 2006) (Yukl, 2013). Such leaders are characterized by four main traits: serving as role models (idealized influence), inspiring teams (inspirational motivation), encouraging new ways of thinking (intellectual stimulation), and providing personalized support (individualized consideration). Past research confirms that transformational leadership can boost job satisfaction, commitment, and overall performance. (Dinh et al., 2014); (Resa & Sandi, 2026). Yet, the evidence isn't entirely consistent. Some studies suggest the link between transformational leadership and performance is weak or even negligible, particularly in settings where employees are highly independent or motivated by intrinsic factors. (Hasib et al., 2020)

In any organization, aside from strong leadership, motivation plays a critical role in shaping employee performance. Motivation is generally viewed through two lenses: intrinsic and extrinsic. Intrinsic motivation involves doing work out of personal interest, passion, or alignment with one's values, whereas extrinsic motivation relies on external rewards such as salary, recognition, or promotions. (Ryan & Deci, 2020). Self-Determination Theory emphasizes how internal drivers like autonomy, competence, and relatedness encourage ongoing engagement and creativity. On the other hand, Herzberg's Two-Factor Theory points to external hygiene factors that help prevent dissatisfaction but don't necessarily promote long-term dedication. Both approaches offer valuable perspectives for understanding how employees perform, especially within creative MSMEs. Recent research continues to emphasize the importance of motivation in achieving high performance. For example, Research by (Dowling et al., 2022) Also highlights that organizations with high levels of employee engagement and productivity tend to demonstrate better performance. This suggests that employee performance is not just an individual outcome but also reflects a supportive and empowering work ecosystem. Indonesian SME employees who are intrinsically motivated tend to be more adaptable and innovative. Similarly, (Noer et al., 2020) Found that external motivators like recognition and financial incentives are particularly important for engaging millennial workers. International studies, such as (Meiryani et al., 2022), show that both transformational leadership and motivation considerably boost employee productivity in remote work setups, though motivation often has a more consistent impact.

These findings emphasize how leadership and motivation work hand-in-hand to influence performance, though their relative importance can shift depending on the context. In the case of Maen Kain,

where craftsmanship and craftsmanship are central, intrinsic motivation may be especially critical. Employees passionate about design and craftsmanship are likely to excel even without close supervision. At the same time, as an MSME facing resource limitations, external motivators like fair pay, recognition, and job security remain essential to keep staff motivated and committed. Therefore, understanding how intrinsic and extrinsic factors interact is key. The role of transformational leadership here is less straightforward; while inspiring vision and creativity is valuable, day-to-day performance may depend more heavily on employees' internal motivation and availability of external rewards. This study aims to explore these dynamics by assessing how transformational leadership, intrinsic motivation, and extrinsic motivation each influence employee performance within Maen Kain. Specifically, it focuses on:

- a. How much transformational leadership impacts performance in a creative MSME.
- b. The role that intrinsic motivation contributes to employee performance
- c. The effect of extrinsic motivation on employee outcomes.

II. Literature Review and Hypothesis Development

2.1. Transformational Leadership

Transformational leadership is a style that focuses on inspiring and motivating followers to not only meet but often go beyond expectations, aligning their values and goals with the broader vision of the organization. The main aim is to promote contributions that uplift the team and drive positive change. Many studies suggest that when executed effectively, transformational leadership can considerably boost employee performance. Nonetheless, its success can vary depending on specific circumstances and organizational context. For instance, research by (Bustomi et al., 2022) indicates that transformational leadership promotes positive behaviors, which, in turn, encourage employees to perform better. On the other hand, some studies, such as those by (Hasib et al., 2020), emphasize that simply adopting transformational leadership principles isn't always enough to enhance performance on its own. Instead, transformational leadership aims to inspire and motivate followers to move beyond personal interests and work toward broader organizational objectives. According to Bass (1990), there are four dimensions of transformational leadership:

- a. Idealized Influence – leaders serve as role models and earn followers' trust and respect.
- b. Inspirational Motivation – leaders articulate a compelling vision and inspire commitment.
- c. Intellectual Stimulation – leaders encourage innovation, creativity, and critical thinking.
- d. Individualized Consideration – leaders provide personal support and mentorship.

2.2. Intrinsic Motivation

Intrinsic motivation is often seen as one of the strongest drivers of high performance. Employees motivated from within don't just work because they have to, but because they genuinely want to. This inner drive encourages people to act in ways that resonate with their personal morals, interests, and core values. (Asaria & Mansyur, 2024) Such employees tend to persevere through workplace challenges, and they are usually more innovative and creative when finding solutions. Research by (Triswanto, 2020) shows that employees with high levels of intrinsic motivation tend to excel in their tasks, are more proactive, and adapt more easily to changes. Besides, a study by (Putra & Pontjoharyo, 2023) found that intrinsic motivation considerably impacts employee performance, especially within creative industries. Other studies further suggest that motivation, whether intrinsic or extrinsic, is a key link between leadership style and job performance. (Laksmana & Riana, 2020)

2.3. Extrinsic Motivation

Extrinsic motivation, which comes from external rewards like salaries, bonuses, promotions, recognition from supervisors, or the fear of sanctions, plays a major role in shaping employee performance. While such motivation may not always lead to long-term satisfaction, it's essential for kick-starting increased productivity. In environments where goals are ambitious, systems of rewards and recognition are essential for keeping morale high. Research by (Noer et al., 2020) Shows that external motivation notably influences how millennials perform, emphasizing their appreciation for clear recognition of their efforts. However, over-relying on external motivators can cause employees to feel less responsible for their tasks, which may hurt their sense of ownership.

2.4. Employee Performance

Employee performance is multi-faceted, comprising both behaviors and outcomes that support organizational goals. Koopmans et al. (2014) identified performance indicators such as quality, volume, responsibility, and teamwork. In SMEs, how well employees perform directly impacts competitiveness, customer satisfaction, and long-term business sustainability. High performance is a key indicator of organizational success. It's about the degree to which work outcomes meet standards and organizational goals, not just visible effort or behavior. (Ramada, 2020). Unlike large companies, SMEs often lack formal performance review systems and instead depend on observed productivity and customer feedback. (Bustomi et al., 2022).

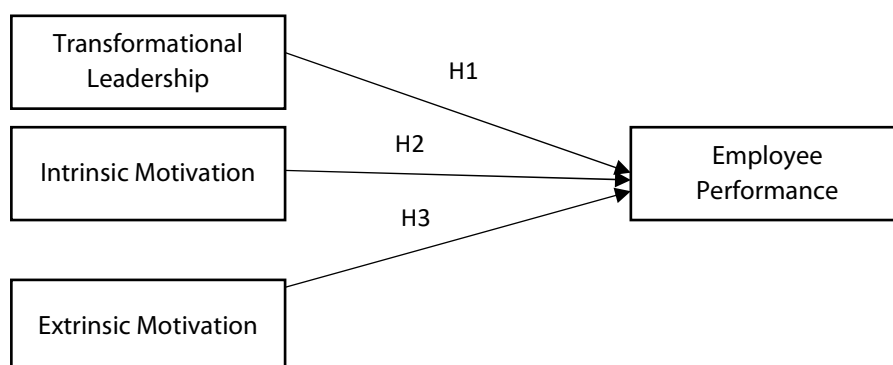


Figure 1. Research Model

2.5. The Relationship Between Transformational Leadership and Employee Performance

Transformational leadership, centered on developing and enabling team members, is widely regarded as one of the most effective ways to boost both organizational and individual performance. Leaders who welcome this style inspire employees to prioritize organizational interests above their own. Key aspects of transformational leadership, such as acting as role models, inspiring with motivation, encouraging innovative thinking, and offering personalized support, help improve performance. Employees under transformational leaders are expected to feel empowered, creative, and committed to achieving shared goals. Empirical evidence supports this view. For example, (Dinh et al., 2014) found that transformational leadership significantly predicted team effectiveness across multiple industries. Similarly, Santoso et al. (2022) demonstrated in the Indonesian context that transformational leaders were crucial during the pandemic in maintaining employee engagement and resilience. Such leaders encourage trust, offer inspiration, and clarify the organization's purpose. By sharing a compelling vision, they energize employees and encourage strong commitment toward shared objectives. This positive link between transformational leadership and performance has been well supported through research. Dinh et al. (2014) found that such leaders create

environments that promote progress, where staff feel enabled to take initiative and innovate. However, some studies, like that, indicate that transformational leadership alone may not greatly impact employee performance. Nonetheless, leaders who inspire and motivate help employees surpass expectations by encouraging a sense of shared purpose and a collective vision. Consequently, transformational leadership can be a strong driver of higher-quality performance.

H1: Transformational leadership positively influences employee performance.

2.6. The Relationship Between Intrinsic Motivation and Employee Performance

Intrinsic motivation is widely recognized as one of the most powerful drivers of performance. Intrinsically motivated employees tend to work not just because they're pushed by external pressures but because they genuinely enjoy their tasks. They find personal satisfaction in what they do and are naturally curious about their work. These employees are usually more persistent when faced with challenges and often come up with innovative solutions to problems. They also tend to take greater responsibility for the quality of their output, paying closer attention to results. An interesting aspect of intrinsic motivation is that these individuals generally don't need constant supervision because their internal drive keeps them motivated to reach their goals.

In the creative industry, intrinsic motivation is especially important, as tasks often demand originality, persistence, and innovation. Employees driven by intrinsic motivation tend to be more creative, satisfied with their work, and adaptable (Putra & Pontjoharyo, 2023). What's more, these individuals are less dependent on external supervision, making them well-suited for autonomous environments like MSME. Recent research reinforces the essential role of intrinsic motivation in performance. For instance, (Triswanto, 2020) Shows that there is a positive and meaningful relationship between intrinsic motivation and employee performance. On an international level, (Yesuf et al., 2024) Demonstrated that intrinsic motivation mediated how organizational practices affected creativity in Ethiopian SMEs. In China, (Li, 2025) Found that intrinsic motivation was critical for sustaining innovation. These findings highlight the universal value of intrinsic motivation across industries and contexts. Employees with high levels of intrinsic motivation tend to perform better on their tasks, are proactive, and quickly adapt to changes in their work environment. They're deeply engaged and often seek ways to improve processes and outcomes without needing external rewards. This makes intrinsic motivation a key foundation for consistent, high-quality performance over time.

H2: Intrinsic motivation positively influences employee performance.

2.7. The Relationship between Extrinsic Motivation and Employee Performance

On the other hand, extrinsic motivation driven by external rewards like salary increases, bonuses, promotions, recognition, or avoiding penalties is also a critical factor influencing how employees perform. While external rewards may not evoke the same emotional engagement as intrinsic motivation, they can still be very effective in boosting productivity, especially when tasks are clear and measurable. When companies establish fair, transparent reward systems that are directly tied to performance, employees tend to be more motivated and feel valued for their efforts. In MSMEs, external motivators are especially important given the competitive job market and the often limited security employees face. When financial and non-financial rewards are perceived as fair and sufficient, staff tend to stay loyal and perform better. (Natasya et al., 2025). Also, research indicates that different generations have varying motivational preferences. For instance, Millennials tend to value recognition and opportunities for career growth more highly. (Noer et al., 2020).

Empirical evidence continues to emphasize the critical role of extrinsic motivation. Koh et al. (2022) discovered that financial incentives still considerably influence productivity, even when employees work remotely. (Wang et al., 2025) demonstrated that digital leadership approaches boost employee performance,

partly by providing recognition and extrinsic rewards. In Indonesian MSMEs, Rachmawati et al. (2023) emphasized that well-organized reward systems are key to maintaining strong performance levels. Collectively, these findings suggest that while extrinsic motivators alone may not be sufficient, they are essential for establishing a baseline of performance. According to, however, the link between extrinsic motivation and employee performance didn't show a strong or direct impact in this particular study. External incentives like bonuses and awards didn't greatly increase productivity on their own. Nonetheless, a well-structured reward system combined with clear opportunities for advancement can greatly influence motivation and performance (Ryan & Deci, 2017). Even though extrinsic motivation is driven by external factors, it remains an important force in helping organizations meet their goals and keep employees productive.

H3: Extrinsic motivation has a positive effect on employee performance.

III. Research Methodology

This study employed a quantitative research design with a cross-sectional survey method using a 5-point Likert-scale questionnaire ranging from 1 (strongly disagree) to 5 (strongly agree) for data collection. Quantitative research is appropriate for testing hypotheses and identifying statistical relationships among variables because it allows for objective measurement and generalization. (Sofwatillah et al., 2024). These methods were then used to analyze the influence of transformational leadership and individual motivation on employee performance at Maen Kain Semarang. The research subjects included all 106 Maen Kain employees. This study uses a saturated sampling technique, meaning the entire population was included in the study. Saturated sampling is appropriate when the population size is relatively small and manageable (Sugiyono, 2019). By including all employees, the research minimizes sampling bias and ensures internal representativeness. This approach has been employed in other MSME-related studies where population sizes are limited but accessible (Rachmawati et al., 2023). The cross-sectional design means that data were collected at a single point in time, enabling researchers to assess the relationships between transformational leadership, intrinsic motivation, extrinsic motivation, and employee performance. The data used were primary data obtained directly from questionnaires completed by respondents. Analysis was then performed using SPSS version 25 software. The data analysis procedure included:

- a. Instrument validity and reliability testing
- b. Descriptive analysis, Model testing, Hypothesis testing

Table 1. Variable Operational Definition

Variable	Operational Definition	Indicator	Scale
Transformational Leadership	Leadership styles that can provide inspiration, motivation, and positive influence on individuals	<ol style="list-style-type: none"> 1. Idealized influence 2. Inspirational motivation 3. Intellectual stimulation 4. Individualized consideration 	Likert Scale 1-5
Intrinsic Motivation	Individuals feel driven from within to perform a task.	<ol style="list-style-type: none"> 1. Satisfaction 2. Sense of challenge 3. Desire to develop 4. Contribution 	Likert Scale 1-5
Extrinsic Motivation	Individuals do something because	<ol style="list-style-type: none"> 1. Salary 2. Promotion 	Likert Scale 1-5

	external factors motivate them to do so.	3. Recognition from superiors 4. Job security	
Employee Performance	Employee work results are assessed from various aspects.	1. Quantity 2. Quality 3. Punctuality 4. Responsibility 5. Cooperation	Likert Scale 1-5

IV. Research Methodology

4.1. Analysis Result

a. Respondent Characteristics

This study collected data from 106 respondents, consisting of Maen Kain employees. This data aims to provide insight into demographic characteristics that are predominantly female, with most employees engaged in sewing and embroidery tasks that may influence views on leadership, motivation, and employee performance. Respondent identities encompassed various categories such as gender, age, employment status, division, education, and length of service. This diversity allows for a comprehensive understanding of how leadership and motivation interact across various employee profiles. The detailed characteristics of the respondents in this study are as follows:

Table 2. Respondent Characteristics

Measurement		N	%
Gender	Male	5	4,7%
	Female	101	95,3%
Age	<25 years old	13	12,3%
	26 – 35 years old	35	33,0%
	36-45 years old	26	24,5%
	>45 years old	32	30,2%
Employee Status	Freelance Employee	97	91,5%
	Contract Employee	5	4,7%
	Permanent Employee	4	3,8%
Division	Administration	4	3,8%
	Embroidery	16	15,1%
	Design	10	9,4%
	Sewing	43	40,6%
	Marketing	5	4,7%
	Sequins	8	7,6%
	Cuttting	10	9,4%
Last Education	Imbroide	10	9,4%
	Diploma	8	7,5%
	Bachelor's Degree	18	17,0%
Work Experience	Senior High School	80	75,5%
	< 1 Years	26	24,5%
	1 – 3 Years	12	11,3%
	4 – 6 Years	43	40,6%

	> 6 Years	25	23,6%
	> 6 Years	25	23,6%

The survey was distributed to all 106 employees of Maen Kain, representing the entire population of the company. Of these, 100% responded, resulting in a complete dataset with no missing values. This response rate is considered excellent in survey research, ensuring that the results are representative of the company's workforce (Baruch et al., 2008). Demographic analysis revealed that the majority of respondents were female (95.3%), reflecting the gender composition typical of Indonesia's textile and embroidery industries. The largest age group was 26–35 years (33%), followed by 36–45 years (24,5%), while younger workers (18–25 years) accounted for 12,3%. Regarding education, 75.5% had completed senior high school, while the rest held diplomas or higher qualifications. In terms of employment status, 91.5% were freelance workers, while only a small fraction were permanent employees. Work experience was varied, with most respondents (40.6%) having 4–6 years of experience in the company. These characteristics highlight the labor-intensive and skill-based nature of Maen Kain, where female workers dominate, and most employees rely on freelance arrangements. Such profiles have implications for motivation, as financial security and recognition are often critical for sustaining engagement. (Natasya et al., 2025).

b. Descriptive Statistics

Descriptive statistics are used to provide a general overview of the data characteristics of each variable studied: Transformational Leadership, Intrinsic Motivation, Extrinsic Motivation, and Employee Performance. This analysis includes the mean, standard deviation, and number of respondents (N). A high mean indicates that most respondents tend to have a positive view of the variable. In this study, the mean ranged from 3.9 to 4.4, with a relatively small standard deviation, indicating that respondents' views on these variables were relatively homogeneous. Thus, the data can be considered representative and stable. The information from this table serves as the primary basis for proceeding to subsequent analyses, such as validity, reliability, correlation, and regression tests, which aim to answer the research questions.

Table 3. Descriptive Statistics of Research Variables

Variable	Mean	Std. Deviation	N
Employee Performance	4,3664	0,42565	106
Transformational Leadership	3,9358	0,49727	106
Intrinsic Motivation	3,9788	0,50133	106
Extrinsic Motivation	4,4646	0,37865	106

Among these, extrinsic motivation recorded the highest mean (4.46), suggesting that employees placed strong emphasis on external rewards such as compensation, recognition, and job stability. This finding aligns with previous studies highlighting the salience of extrinsic factors for MSME employees in Indonesia (Rachmawati et al., 2023).

c. Validity Test

Validity testing is conducted to determine how well an instrument measures the intended construct. Factor analysis techniques are used to assess the validity of each item based on its factor loading value. An item is considered valid if its factor loading value is ≥ 0.5 (Hair et al., 2019). There is no high cross-loading between factors, a Kaiser-Meyer-Olkin (KMO) value of ≥ 0.7 , and a Bartlett's test value of ≤ 0.5 . In this study, testing was conducted in stages to obtain results that meet the standards or criteria. The following are the validity test results analyzed by researchers using SPSS version 25:

Table 4. Validity Test Results

Variable	Indicator	KMO	Component				Description
			1	2	3	4	
Transformational Leadership	X1.2	0,819	0,914				Valid
	X1.3		0,945				Valid
	X1.5		0,947				Valid
	X1.6		0,963				Valid
	X1.7		0,620				Valid
Intrinsic Motivation	M1.1			0,910			Valid
	M1.2			0,915			Valid
	M1.3			0,857			Valid
	M1.4			0,925			Valid
Extrinsic Motivation	M2.1					0,685	Valid
	M2.2					0,703	Valid
	M2.3					0,744	Valid
	M2.4					0,682	Valid
Employee Performance	Y1.1				0,697		Valid
	Y1.2				0,781		Valid
	Y1.3				0,787		Valid
	Y1.4			0,827		Valid	
	Y1.5			0,745		Valid	
	Y1.6			0,637		Valid	

In the first stage of validity testing, several issues were found, such as cross-loading and relatively low loading factor values for several indicators. For example, indicators X1.1 and X1.4 in the Transformational Leadership variable showed cross-loading and loading factor values below the minimum limit of ≤ 0.05 . Based on these findings, the researcher eliminated indicators that did not meet the validity standards. After going through a refinement process, the results of this test found that all remaining indicators met the requirements of $KMO \geq 0.70$ and loading factor ≥ 0.50 . These results are in line with the opinion of (Hair et al., 2019) If there are indicators or items with low loading factor values or cross-loading, they need to be removed to maintain construct validity. Finally, the validity test showed that all remaining indicators were suitable for further analysis, because they met the criteria for construct validity and had sufficient data for further statistical analysis.

d. Reability Test

Reliability testing is the measurement of an instrument using a questionnaire for each indicator in a variable using Cronbach's Alpha. This test is used to gauge the consistency and stability of a questionnaire. An instrument is considered reliable if its Cronbach's Alpha value is > 0.60 . The reliability results for each variable are presented in the following table:

Table 5. Reliability of Research Variable Instruments

Variable	Number of Items	Cronbach's Alpha	Description
Transformational Leadership	5	0,942	Reliabel
Intrinsic Motivation	4	0,977	Reliabel
Extrinsic Motivation	4	0,719	Reliabel
Employee Performance	6	0,858	Reliabel

Based on the results of the reliability test, all items in the research instrument had a Cronbach's Alpha value above 0.70. This indicates that the instrument meets reliability requirements and is suitable for use in subsequent analysis stages, such as testing the relationships between variables (Space, 2013).

e. Model Test

The model testing process, often referred to as model validation, aims to evaluate whether the research model created is truly feasible, valid, and appropriate to the collected data. The main goal is to ensure that the relationships between the analyzed variables are statistically reliable.

Table 6. Analysis Results

Variable	Model Test		Hypothesis Test		Description
	Adjust R Square	(F) Sig	B	Sig	
Transformational Leadership	0,136	0,000	-0,056	0,517	Rejected
Intrinsic Motivation			0,240	0,008	Accepted
Extrinsic Motivation			0,274	0,011	Accepted

f. Coefficient of Determination (R²)

Based on the data processing results in Table 6, the Adjusted R Square value of 0.136 indicates that transformational leadership, intrinsic motivation, and extrinsic motivation can explain approximately 13.6% of employee performance. Overall, this model has low explanatory power, but remains statistically significant. The remaining 83.9% of the variance in employee performance is influenced by other variables not tested in this model. While this is relatively small, this finding remains significant as it demonstrates that these three variables are related to employee engagement levels, albeit with limited influence.

g. F Test

The F test is used to test whether the independent variables simultaneously influence the dependent variable. The regression model is accepted if the F test significance value is <0.05. Based on the data processing results in Table 6, the significance value (Sig.) is 0.000, which is less than 0.05, indicating that the regression model is statistically significant. This means that the three independent variables tested, Transformational Leadership, Intrinsic Motivation, and Extrinsic Motivation, jointly influence employee performance.

h. Hypothesis Test

The following is a hypothesis test based on the results of the regression tests conducted on each variable on employee performance:

- 1) Transformational Leadership has no significant effect on Employee Performance, with a significance value of 0.517 (>0.05). This indicates that increased perceptions of transformational leadership do not necessarily lead to increased employee performance. Therefore, H1 is rejected.
- 2) Intrinsic motivation has a positive and significant effect on employee performance, with a significance value of 0.008 (<0.05). This means that the higher an employee's intrinsic motivation, the higher their performance. Therefore, H2 is accepted.
- 3) Extrinsic motivation also shows a positive and significant effect on employee performance, with a significance value of 0.011 (<0.05). This means that external factors such as incentives, rewards, promotions, and recognition also play an important role in driving improved employee performance. Therefore, H3 is accepted.

4.2. Discussion

a. The Effect of Transformational Leadership on Employee Performance

The results of this study indicate that transformational leadership does not significantly impact employee performance at Maen Kain. This suggests that increased perceptions of transformational leadership do not necessarily translate into increased employee performance. The lack of a significant relationship between transformational leadership and performance aligns with studies suggesting that leadership style may not always directly affect employee outcomes, especially in small organizations with high autonomy, who stated that implementing transformational leadership alone is not sufficient to improve employee performance. (Hasib et al., 2020). The effectiveness of leadership styles is highly dependent on the social and organizational context, so not all leadership styles will have the same effect in every workplace. In Maen Kain, employees work independently on specialized tasks, meaning their performance depends more on personal motivation than on leader inspiration. This means that, in the context of this study, the transformational leadership style applied has not significantly impacted employee performance at Maen Kain.

This result diverges and contradicts much of the mainstream literature or previous studies, which have frequently emphasized the positive effects of transformational leadership on employee outcomes. (Bustomi et al., 2022). The divergence in this study can be explained by contextual factors and may also be influenced by organizational characteristics, work culture, and employee perceptions of the leader's role. In the context of Maen Kain, a creative industry, employees tend to work independently and are driven more by personal motivation than by direct direction from superiors. This may result in the influence of leadership not being directly reflected in work performance. Employees at Maen Kain primarily operate as artisans working on embroidery and textile tasks, which demand technical skills, patience, and creativity. These tasks are often performed autonomously, with limited direct leader supervision. In such contexts, leadership style may play a more symbolic role in setting direction rather than a direct determinant of day-to-day performance. (Hasib et al., 2020). Furthermore, many employees at Maen Kain are freelance workers, which reduces their dependence on long-term leader-employee relationships. Instead, their performance is more closely tied to immediate motivators such as compensation and recognition.

b. The Relationship between Intrinsic Motivation and Employee Performance

Intrinsic motivation emerged as a significant predictor of performance, confirming H2. Employees who derived enjoyment, pride, and meaning from their work exhibited higher levels of productivity and quality. This finding strongly supports Self-Determination Theory. (Ryan & Deci, 2020) This emphasizes autonomy, competence, and relatedness as the foundation of intrinsic engagement. The results of this study indicate that intrinsic motivation has a positive and significant influence on employee performance. In a company like Maen Kain, this means that employees driven by internal motivations, such as the desire to develop, pride in their work, and enjoyment of the work process, are more capable of producing optimal work results. Intrinsic motivation was found to be a strong predictor of performance. Employees who felt pride, enjoyment, and personal meaning in their work demonstrated higher productivity and quality. This confirms the principles of Self-Determination Theory. (Ryan & Deci, 2020) Through Self-Determination Theory (SDT), they state that intrinsic motivation arises when an individual feels that their work aligns with their personal values, is positively challenging, and provides a sense of psychological fulfillment.

Furthermore, a study conducted by supports these findings, showing that intrinsic motivation has a significant influence on employee performance in the creative industry. In a dynamic and flexible work environment like Maen Kain, employees are driven more by personal achievement, autonomy, and pride in their work, rather than simply financial rewards. Conversely, if employees' intrinsic motivation is low, even if the work environment and incentive system are supportive, they tend to perform minimally and show less initiative. Highly motivated employees are generally more persistent in facing challenges, more innovative, and tend to maintain a stable work ethic. However, the effectiveness of this motivation depends heavily on the organizational culture and the leadership's role in providing space for expressing creativity and

appreciating individual efforts. In other words, management needs to create an environment that allows employees to develop, experiment, and feel valued not only for the result, but also for the process. These findings suggest that intrinsic motivation is not only relevant in large corporations but also highly applicable in MSMEs. In fact, its role may be more pronounced in creative industries, where autonomy and skill mastery define the nature of work. For practitioners, this implies that leaders should cultivate environments that support employees' psychological needs, providing opportunities for self-expression, creativity, and continuous skill development.

c. The Relationship between Extrinsic Motivation and Employee Performance

Extrinsic motivation also showed a significant positive relationship with performance, supporting H3. Employees at Maen Kain valued external incentives such as timely wages, recognition, and opportunities for advancement. This result highlights the relevance of Herzberg's Two-Factor Theory, which identifies extrinsic factors as hygiene elements necessary to prevent dissatisfaction (Herzberg, 1966). Extrinsic motivation also played a crucial role. Employees valued external incentives, reflecting the importance of financial compensation and recognition in contexts where job security is limited. The results of the regression analysis revealed that extrinsic motivation has a positive and significant influence on employee performance. This finding supports classical motivation theories, such as Herzberg's Two-Factor Theory, which emphasizes that extrinsic motivators, such as compensation and working conditions, play a significant role in creating job satisfaction and productive behavior. While extrinsic motivation may not always provide long-term satisfaction like intrinsic motivation, it remains critical in encouraging employees to achieve targets and demonstrate loyalty to the organization.

Given that most employees are freelancers without permanent contracts, extrinsic motivators become crucial. Financial security, fair treatment, and recognition provide the foundation for sustaining engagement. Without these, intrinsic motivation alone may not be sufficient to maintain consistent performance. This finding aligns with (Natasya et al., 2025) Also revealed that financial and non-financial incentives, when provided fairly and timely, can improve employee performance and retention, especially among the younger generation, who highly value recognition for their contributions. Internationally, (Meiryani et al., 2022) Found that even in remote work contexts, extrinsic motivators such as performance-based pay were critical for productivity. Nevertheless, in the context of Maen Kain, a company operating in the creative industry, providing clear and achievement-based rewards or incentives is crucial because it can strengthen the sense of appreciation and strengthen the connection between work effort and results. Employees who feel their contributions are recognized tend to be more responsible and committed to completing their tasks. Thus, management needs to be careful not to allow extrinsic motivation to become the sole source of motivation. If employees rely too heavily on rewards or incentives, they can lose their intrinsic motivation and only perform optimally when there is a reward.

d. Limitations of the Study and Recommendations for Future Research

Several limitations must be acknowledged. First, the study used a cross-sectional design, limiting the ability to infer causality. Future studies could employ longitudinal approaches to capture changes in motivation and performance over time. Second, the research was conducted within a single company (Maen Kain), reducing external generalizability. Although the context provides valuable insights into creative MSMEs, replication across multiple organizations and industries would strengthen conclusions. Third, self-reported survey data may be subject to biases such as social desirability, although reliability and validity tests mitigated these concerns. Building upon the limitations identified, this research offers practical suggestions for future studies aimed at deepening our understanding of transformational leadership, motivation, and employee performance, especially within creative MSMEs and beyond.

- 1) It's beneficial to adopt longitudinal research designs. While this study provided valuable insights at a single point in time, it couldn't establish cause-and-effect relationships. Long-term studies would

enable us to observe how leadership behaviors, employee motivation, and performance evolve over months or years. This approach would help clarify whether motivation drives improved performance or if high achievers tend to feel more motivated afterward. It would also simplify whether the influence of transformational leadership builds gradually or depends on specific circumstances.

- 2) Expanding research across multiple organizations and various industries is essential. Since our focus was solely on Maen Kain, a creative MSME in Semarang, the findings might not apply broadly. Future research should include diverse sectors like fashion, handicrafts, digital media, or culinary MSMEs, and traditional industries. Exploring different organizational setups, employment types, and technological environments will help determine if motivation consistently outweighs leadership in importance or if this varies depending on the context. Also, employing mixed methods can enhance the robustness of findings.
- 3) Quantitative surveys offer a broad view but might miss deeper employee experiences. Combining surveys with qualitative methods such as interviews, focus groups, or ethnographic studies can provide richer, more detailed insights. Using multiple approaches together would also minimize common method bias and give a more comprehensive picture of organizational dynamics.
- 4) Expanding the range of variables examined is critical. While this study focused on transformational leadership, intrinsic and extrinsic motivation, and performance, other factors like job satisfaction, psychological enablement, organizational commitment, digital leadership, and leader-member exchange (LMX) could be included. Incorporating mediators and moderators in models would reflect the complex reality of employee behaviors in changing environments.
- 5) Comparing workforce demographics in future research is important. Since this study mainly involved female freelance workers, future studies could look at differences across gender, age, and employment status (permanent vs. freelance). Such comparisons would reveal if motivations differ based on these factors and could inform more targeted HR policies.
- 6) Cross-cultural research is also essential. Most theories about leadership and motivation originated in Western, individualistic contexts. Given our findings from Indonesia's collectivist culture, testing these theories in diverse cultural settings, such as across Asia, Africa, or Western countries, can help determine whether the interaction between leadership and motivation is universal or culturally specific.

Lastly, exploring how technology and digital transformation influence leadership and motivation will be increasingly relevant. As creative industries rely more on digital tools for design, marketing, and sales, these elements may shape leadership styles and employee motivation differently. Future studies should investigate how digital leadership interacts with motivation and whether such tools improve or hinder performance in MSMEs, especially in a world recovering from the pandemic, where digital adoption has rapidly expanded.

V. Conclusion

This study examines the effects of transformational leadership, intrinsic motivation, and extrinsic motivation on employee performance within Maen Kain, a creative MSME in Semarang, Indonesia. Drawing on data from 106 employees and using multiple regression analysis. From the results of the regression analysis, we found that personal motivation has a positive and significant influence on employee performance who found personal meaning, pride, and enjoyment in their work, delivering better outcomes. This supports Self-Determination Theory (Ryan & Deci, 2020). In contrast, transformational leadership was found to have no significant direct effect on employee performance. This suggests that in highly autonomous work environments, such as embroidery and textile production, leadership style may not serve as the primary driver of daily performance. These findings suggest that, in the context of a creative company like Maen Kain, internal factors possessed by employees, such as the desire to develop, a sense of personal responsibility, and job satisfaction, play a greater role in improving performance compared to the direct influence of the supervisor's

leadership style. Therefore, strengthening internal motivation by creating a supportive work environment, providing development opportunities, and offering a meaningful reward system is a key strategy for improving employee performance. Practically, these results can be considered by Maen Kain's management in designing employee development programs that focus on strengthening internal motivation. At the same time, leaders are expected to continue to carry out their transformational role, not only to lead directly but also to build a work culture that fosters independence and intrinsic motivation in employees.

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