

Linking Transformational Leadership and KPI Systems to Employee Performance: The Mediating Role of Expectancy-Based Motivation in Public Transportation

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ABSTRACT

Keywords:

Transformational Leadership; KPI System; Employee Performance; Expectancy-Based Motivation;

Background: This research examines how transformational leadership and key performance indicator (KPI) systems influence employee performance, with expectancy-based motivation as a mediating mechanism in public transportation. The study addresses a gap in prior research that has commonly used general work motivation, organizational commitment, or job satisfaction rather than expectancy-based motivation to explain how leadership and performance-management systems are translated into performance outcomes.

Research Gap: Previous studies have examined transformational leadership and performance through general work motivation, organizational commitment, or job satisfaction. Such mediators are useful, but they do not directly specify the cognitive chain linking effort, performance, and valued outcomes. Furthermore, limited research has examined transformational leadership and KPI systems simultaneously in a public transportation context.

Novelty: This study focuses specifically on expectancy-based motivation as the mediating mechanism and examines transformational leadership and KPI systems simultaneously in a public transportation context. It extends expectancy theory from an individual-level motivational explanation to an integrated organizational model where leadership and KPI architecture function as antecedents of expectancy, instrumentality, and valence.

Method: A quantitative cross-sectional survey was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS. The measurement model was assessed through convergent validity and reliability, while the structural model was evaluated through path coefficients, indirect effects, and R-square.

Results: Transformational leadership positively affects employee performance ($\beta=0.276$) and expectancy-based motivation ($\beta=0.489$). KPI systems positively affect employee performance ($\beta=0.241$) and expectancy-based motivation ($\beta=0.352$). Expectancy-based motivation positively affects employee performance ($\beta=0.418$). The indirect effects of transformational leadership ($\beta=0.204$) and KPI systems ($\beta=0.147$) through expectancy-based motivation are significant, indicating partial mediation. The model explains 64.2% of the variance in expectancy-based motivation and 71.1% of employee performance.

Conclusion: Public transportation organizations should combine transformational leadership with transparent, fair, and behaviorally balanced KPI systems, supported by coaching, feedback, recognition, and ethical safeguards. The findings extend expectancy theory by showing that leadership and KPI design operate as organizational antecedents of expectancy, instrumentality, and valence perceptions in a public-service setting.

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INTRODUCTION

In the era of globalization and rapid digital transformation, public transportation organizations are expected to provide safe, punctual, efficient, accessible, and customer-oriented services. In this setting, employee performance is not only an internal organizational outcome but also a determinant of public service quality and passenger trust. TRANS JATIM in East Java represents an important public transportation context in which employees operate under high service pressure, direct customer interaction, and demanding operational standards (Azmy & Perkasa, 2024).

Transformational leadership is relevant to this environment because it emphasizes inspirational motivation, intellectual stimulation, individualized consideration, and idealized influence (Symes, 1999). These dimensions can help employees understand organizational priorities, develop confidence, and align daily work with service objectives. Prior studies have linked transformational leadership to motivation and performance, including in public transportation settings (Hassan, Bogale, & Kunle, 2024). However, the motivational mechanism through which leadership is translated into performance requires more precise explanation.

KPI systems provide a second organizational mechanism. Clear, measurable, relevant, and feedback-oriented indicators can clarify expectations and create accountability. In public transportation, relevant indicators may include punctuality, safety, productivity, service quality, complaint handling, and operational reliability. Nevertheless, KPI systems do not automatically improve performance. Their motivational effect depends on whether employees believe that effort can produce the expected performance, that performance will be recognized or rewarded, and that the outcomes attached to performance are valuable (Jasmin Ohlig, Hellebrandt, et.al, 2022).

Expectancy theory offers a more precise explanation of this mechanism than a broad treatment of 'work motivation.' The theory distinguishes expectancy, instrumentality, and valence and therefore allows the motivational process to be traced from organizational conditions to employees' beliefs and then to performance behavior. In the present model, transformational leadership and KPI systems are treated as organizational antecedents that can shape these motivational beliefs, while expectancy-based motivation is positioned as the psychological mechanism connecting those antecedents to employee performance (Osafo, Paros, & Yawson, 2021).

Previous studies have examined transformational leadership and performance through general work motivation, organizational commitment, innovative work behavior, public service motivation, or job satisfaction. Such mediators are useful, but they do not directly specify the cognitive chain linking effort, performance, and valued outcomes. The present study therefore contributes by focusing specifically on expectancy-based motivation and by examining transformational leadership and KPI systems simultaneously in a public transportation context. This integrated design makes it possible to determine whether performance-management practices influence performance only directly or also through employees' expectancy-based motivational perceptions (Azmy & Perkasa, 2024); .

The theoretical contribution is threefold. First, the study extends the application of expectancy theory from an individual-level motivational explanation to an integrated organizational model in which leadership and KPI architecture function as antecedents of expectancy, instrumentality, and valence. Second, the significant partial mediation indicates that motivational beliefs explain an important part of the leadership–performance and KPI–performance relationships, while the remaining direct effects suggest that organizational mechanisms beyond motivation also matter. Third, the study proposes that the strength of the mediation is likely to depend on contextual conditions such as leadership credibility, KPI clarity and attainability, fairness of evaluation, quality of feedback, and the credibility of rewards. These conditions provide propositions for future research rather than additional tested variables in the present study (Sentoso & Mardiana, 2025).

The study also has relevance to Islamic economics and management because public transportation is a service entrusted with resources, employee responsibilities, and public welfare. The empirical model remains limited to transformational leadership, KPI systems, expectancy-based motivation, and employee performance; Islamic concepts are used as a normative interpretive framework. Amanah emphasizes responsible and trustworthy leadership, *adl* emphasizes fair evaluation and rewards, *shura* supports employee participation, *hisbah* highlights accountability and protection of public interest, and *ihsan* encourages excellence beyond minimum compliance. This framework is particularly relevant when KPI achievement could otherwise encourage excessive target pressure, manipulation of records, unsafe behavior, or neglect of unmeasured service dimensions (Aflah, Suharnomo, Mas'ud, & Mursid, 2021).

Accordingly, this study aims to examine the effects of transformational leadership and KPI systems on employee performance, with expectancy-based motivation as a mediating variable in public transportation. The study contributes empirically by testing the integrated relationships, theoretically by clarifying the motivational mechanism specified by expectancy theory, and practically by translating the findings into leadership-development, KPI-design, and policy recommendations that are contextually appropriate for Indonesian public transportation organizations (Michael Yulian Feno, Cahya Milia Tirta Safitri, 2026).

Recent Indonesian studies also indicate that Islamic leadership, Islamic work ethics, and Islamic motivation can be associated with employee motivation and performance, although the strength and pathways of these relationships vary across organizational settings (Noor Aflah, Suharnomo, & Mas'ud, 2021). These studies strengthen the relevance of an Islamic interpretive framework for the present model without implying that Islamic values were statistically tested as an additional latent construct. Accordingly, this study retains transformational leadership, KPI systems, expectancy-based motivation, and employee performance as its empirical variables, while using Islamic ethical principles to interpret leadership conduct, performance evaluation, accountability, and reward practices (Hoeroni & Gunawan, 2023).

Therefore, this study aims to examine the relationship between transformational leadership and KPI systems on employee performance, with expectancy-based motivation serving as a mediating variable in the context of public transportation. This research is expected to contribute theoretically by developing an integrated model linking leadership, performance systems, and motivation, and practically by providing insights for public transportation organizations to enhance employee performance and service quality.

METHOD

This study adopts a quantitative research approach to examine the relationships between transformational leadership, KPI systems, expectancy-based motivation, and employee performance in the public transportation sector. A quantitative design is considered appropriate as it enables the testing of causal relationships among variables and the verification of hypotheses using statistical analysis (Creswell, 2013).

Islamic ethical principles are positioned in this study as a normative interpretive framework rather than as an additional measured variable. Thus, the empirical model and questionnaire remain focused on the four constructs reported in the results. The Islamic framework is used to interpret whether leadership, KPI implementation, motivation, and performance management are consistent with *amanah*, *adl*, *hisbah*, *shura*, and *ihsan*.

The research employs a cross-sectional survey method, where data are collected from employees of public transportation organizations at a single point in time. The population of this study consists of employees working in operational and administrative roles within public transportation companies. A purposive sampling technique is used to select respondents who meet specific criteria, such as having a minimum length of service and being directly involved in performance evaluation systems. The sample size is determined based on the requirements of Structural Equation Modeling (SEM), with a minimum of 100–200 respondents to ensure statistical reliability and validity (Hardani, Andriani, Sukmana, & Fardani, 2020).

Data are collected using a structured questionnaire distributed to respondents. The questionnaire is designed using a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The measurement

of variables is adapted from established and validated instruments in prior studies (Johnson & Christensen, 2018). Transformational leadership is measured based on dimensions such as idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. KPI systems are measured through indicators related to clarity of targets, measurability, relevance, and performance feedback. Expectancy-based motivation is assessed using constructs derived from expectancy theory, including expectancy, instrumentality, and valence. Meanwhile, employee performance is measured through indicators such as task performance, productivity, service quality, and work effectiveness (Rasyid, 2022).

To ensure the quality of the data, validity and reliability tests are conducted prior to hypothesis testing. Convergent validity is assessed through factor loadings and Average Variance Extracted (AVE), while reliability is evaluated using Cronbach's alpha and composite reliability values. Discriminant validity is also examined to ensure that each construct is distinct from others (Creswell, 2012).

The data analysis technique used in this study is Structural Equation Modeling with Partial Least Squares (SEM-PLS), which is suitable for analyzing complex relationships involving multiple variables and mediating effects (Sugiyono, 2013). The analysis is conducted using SmartPLS software. The evaluation of the measurement model (outer model) includes tests of validity and reliability, while the structural model (inner model) is assessed through path coefficients, coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2). Furthermore, hypothesis testing is performed using bootstrapping procedures to determine the significance of direct and indirect effects among variables. The mediating role of expectancy-based motivation is analyzed by examining indirect effects and determining whether mediation is partial or full (Rukminingsih, Adnan, & Latief, 2020).

Through this methodological approach, the study aims to provide robust empirical evidence on how transformational leadership and KPI systems influence employee performance, as well as the extent to which expectancy-based motivation mediates these relationships in the context of public transportation

RESULTS

Convergent Validity (Outer Loading & AVE)

Table 1. Convergent Validity (Outer Loading & AVE)

Variable	Indicator	Outer Loading	Description
Transformational Leadership	TL1	0.821	Valid
	TL2	0.854	Valid
	TL3	0.879	Valid
	TL4	0.842	Valid
KPI Systems	KPI1	0.803	Valid
	KPI2	0.842	Valid
	KPI3	0.861	Valid
	KPI4	0.825	Valid
Expectancy-Based Motivation	EM1	0.825	Valid
	EM2	0.867	Valid
	EM3	0.881	Valid
	EM4	0.846	Valid
Employee Performance	EP1	0.834	Valid
	EP2	0.862	Valid
	EP3	0.876	Valid
	EP4	0.841	Valid

Table 1 presents the outer loading values for all indicators used to measure the latent constructs in this study, namely transformational leadership, KPI systems, expectancy-based motivation, and employee performance. Outer loading is a key criterion for assessing convergent validity, as it reflects the extent to which each indicator correlates with its respective construct.

The results show that all outer loading values exceed the recommended threshold of 0.70. This indicates that each indicator has a strong contribution to explaining its corresponding latent variable. Specifically, the indicators of transformational leadership (TL1–TL4) demonstrate high loading values, suggesting that they effectively capture the dimensions of transformational leadership. Similarly, the indicators of KPI systems (KPI1–KPI4) exhibit strong loadings, indicating that they reliably represent performance measurement practices within the organization.

Furthermore, the indicators of expectancy-based motivation (EM1–EM4) show consistently high loading values, confirming that they adequately reflect the components of expectancy theory, such as expectancy, instrumentality, and valence. The employee performance indicators (EP1–EP4) also demonstrate strong loadings, indicating that they are valid measures of performance outcomes, including productivity, service quality, and effectiveness.

Average Variance Extracted (AVE)

Table 2. Average Variance Extracted (AVE)

Variable	AVE	Description
Transformational Leadership	0.732	Valid
KPI Systems	0.683	Valid
Expectancy-Based Motivation	0.714	Valid
Employee Performance	0.701	Valid

Table 2 presents the Average Variance Extracted (AVE) values for all latent constructs examined in this study, including transformational leadership, KPI systems, expectancy-based motivation, and employee performance. AVE is an important indicator of convergent validity, as it measures the extent to which a construct explains the variance of its indicators relative to measurement error.

The results show that all AVE values exceed the recommended threshold of 0.50. Specifically, transformational leadership has an AVE value of 0.732, KPI systems 0.683, expectancy-based motivation 0.714, and employee performance 0.701. These values indicate that each construct is able to explain more than 50% of the variance of its indicators, which confirms adequate convergent validity.

Among the constructs, transformational leadership exhibits the highest AVE value, suggesting that its indicators have the strongest explanatory power in representing the construct. Meanwhile, KPI systems, although having the lowest AVE among the variables, still meet the acceptable threshold, indicating that the indicators used are sufficiently valid.

Reliability Test

Table 3. Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability	Description
Transformational Leadership	0.912	0.932	Reliable
KPI Systems	0.887	0.915	Reliable
Expectancy-Based Motivation	0.901	0.926	Reliable
Employee Performance	0.895	0.921	Reliable

Reliability testing is conducted to assess the internal consistency of the measurement instruments used in this study. This study employs two commonly used indicators of reliability, namely Cronbach's Alpha and Composite Reliability.

Based on Table 3, all constructs demonstrate Cronbach's Alpha values above the recommended threshold of 0.70, indicating a high level of internal consistency among the indicators within each construct. Specifically, transformational leadership shows the highest Cronbach's Alpha value (0.912), followed by expectancy-based motivation (0.901), employee performance (0.895), and KPI systems (0.887). These results confirm that the measurement items are consistently measuring their respective constructs. Similarly, the Composite Reliability values for all variables exceed 0.70, which further

supports the reliability of the constructs. Transformational leadership again shows the highest composite reliability (0.932), indicating strong consistency in capturing the construct. The other variables also demonstrate high reliability, with values ranging from 0.915 to 0.926.

Path Coefficients and Hypothesis Testing

Table 4. Path Coefficients and Hypothesis Testing

Hypothesis	Relationship	Path Coefficient	T-Statistic	P-Value	Decision
H1	Transformational Leadership → Employee Performance	0.276	3.215	0.001	Supported
H2	Transformational Leadership → Expectancy-Based Motivation	0.489	5.874	0.000	Supported
H3	KPI Systems → Employee Performance	0.241	2.998	0.003	Supported
H4	KPI Systems → Expectancy-Based Motivation	0.352	4.112	0.000	Supported
H5	Expectancy-Based Motivation → Employee Performance	0.418	5.126	0.000	Supported

Table 4 presents the results of hypothesis testing based on the path coefficients obtained through the SEM-PLS analysis. The significance of each relationship is evaluated using the T-statistic and P-value, with the acceptance criteria of T-statistic > 1.96 and P-value < 0.05.

The results show that all hypothesized relationships are positive and statistically significant. Transformational leadership has a significant positive effect on employee performance ($\beta = 0.276$, $p < 0.05$), indicating that leaders who inspire and motivate employees can directly enhance their performance. Additionally, transformational leadership significantly influences expectancy-based motivation ($\beta = 0.489$, $p < 0.05$), suggesting that leadership plays a crucial role in shaping employees' beliefs about effort and outcomes.

KPI systems also have a significant positive effect on employee performance ($\beta = 0.241$, $p < 0.05$), which implies that clear and measurable performance indicators contribute to improved work outcomes. Furthermore, KPI systems significantly affect expectancy-based motivation ($\beta = 0.352$, $p < 0.05$), indicating that well-structured performance measurement systems can enhance employees' motivation.

Finally, expectancy-based motivation has a strong and significant effect on employee performance ($\beta = 0.418$, $p < 0.05$), demonstrating that employees who believe their efforts will lead to desirable outcomes are more likely to perform effectively.

Overall, all hypotheses (H1–H5) are supported, confirming that transformational leadership and KPI systems influence employee performance both directly and indirectly through expectancy-based motivation.

Indirect Effect (Mediation Test)

Table 5. Indirect Effects (Mediation Test)

Hypothesis	Indirect Relationship	Path Coefficient	T-Statistic	P-Value	Decision
H6	Transformational Leadership → Expectancy-Based Motivation → Employee Performance	0.204	4.321	0.000	Supported
H7	KPI Systems → Expectancy-Based Motivation → Employee Performance	0.147	3.765	0.000	Supported

Table 5 presents the results of the mediation analysis examining the indirect effects of transformational leadership and KPI systems on employee performance through expectancy-based motivation. The significance of the indirect effects is evaluated based on the T-statistic and P-value, where a T-statistic greater than 1.96 and a P-value less than 0.05 indicate a significant mediating effect.

The results show that the indirect effect of transformational leadership on employee performance through expectancy-based motivation is positive and statistically significant ($\beta = 0.204$, $p < 0.05$). This finding indicates that transformational leadership enhances employee performance not only directly but also indirectly by increasing employees' motivation based on expectancy beliefs. In other words, leaders who effectively inspire and support employees are able to strengthen their confidence that effort will lead to desirable outcomes, which in turn improves performance.

Similarly, the indirect effect of KPI systems on employee performance through expectancy-based motivation is also positive and significant ($\beta = 0.147$, $p < 0.05$). This suggests that KPI systems influence employee performance by shaping employees' motivational perceptions. When performance indicators are clear, measurable, and linked to rewards, employees are more likely to feel motivated and perform better.

Since both the direct effects (from Table 4) and indirect effects are significant, the mediation identified in this study is classified as partial mediation. This means that expectancy-based motivation partially explains the relationship between transformational leadership, KPI systems, and employee performance.

Overall, these findings highlight the critical role of expectancy-based motivation as a psychological mechanism that links organizational practices with employee performance outcomes. The following figure presents the final model results.

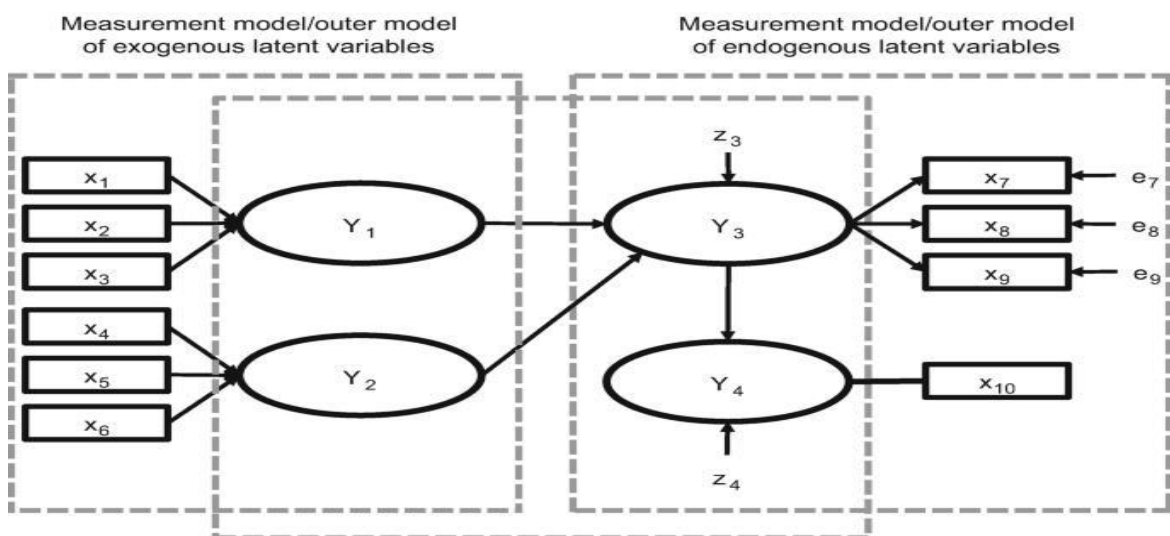


Figure 1. Structural Model/Inner Model

The structural model illustrates the relationships among the four main constructs: Transformational Leadership (TL), KPI Systems (KPI), Expectancy-Based Motivation (EM), and Employee Performance (EP).

- Transformational Leadership (TL) has a direct effect on Employee Performance (EP) with a coefficient of 0.276, and an indirect effect through Expectancy-Based Motivation (EM).
- KPI Systems (KPI) directly influence Employee Performance (EP) with a coefficient of 0.241, and also indirectly through EM.
- Both TL and KPI significantly influence Expectancy-Based Motivation (EM), with coefficients of 0.489 and 0.352, respectively.

- d. Expectancy-Based Motivation (EM) has a strong direct effect on Employee Performance (EP) (0.418), confirming its mediating role.

The arrows in the model represent causal relationships, while the coefficients indicate the strength of influence between variables. The presence of both direct and indirect paths confirms a partial mediation model, where motivation acts as an important intervening variable.

R-Square (R^2) Test Results

Table 6. Coefficient of Determination (R^2)

Endogenous Variable	R^2 Value	Category
Expectancy-Based Motivation	0.642	Moderate
Employee Performance	0.711	Strong

Table 6 presents the coefficient of determination (R^2) values for the endogenous variables in this study, namely expectancy-based motivation and employee performance. The R^2 value indicates the proportion of variance in the dependent variable that can be explained by its independent variables.

The results show that expectancy-based motivation has an R^2 value of 0.642, which means that 64.2% of its variance is explained by transformational leadership and KPI systems. This value falls into the moderate category, indicating that both variables have a substantial contribution in explaining employees' motivational levels.

Furthermore, employee performance has an R^2 value of 0.711, indicating that 71.1% of the variance in employee performance is explained by transformational leadership, KPI systems, and expectancy-based motivation. This value is categorized as strong, suggesting that the model has high explanatory power in predicting employee performance.

Overall, these findings demonstrate that the proposed research model is robust and capable of explaining a significant proportion of variance in both motivation and employee performance. This confirms that transformational leadership and KPI systems, along with expectancy-based motivation, are important determinants of employee performance in the public transportation sector (Rekha N Patil, 2022).

DISCUSSION

The preceding measurement results support the adequacy of the four constructs used in the present model. The manuscript does not include safety knowledge, safety climate, safety behavior, or occupational accidents as study variables; therefore, those unrelated results have been removed to maintain conceptual and empirical consistency (Bojang, 2021). The substantive discussion therefore focuses on the tested relationships among transformational leadership, KPI systems, expectancy-based motivation, and employee performance.

The findings confirm that transformational leadership, KPI systems, and expectancy-based motivation are significant components of employee performance in the public transportation context. Importantly, the results do more than confirm direct relationships: they identify expectancy-based motivation as a partial psychological mechanism through which organizational leadership and performance-management practices are translated into employee performance (Widjaja, Anindita, & Indrawati, 2023).

Transformational leadership and employee performance. Transformational leadership has a positive and significant effect on employee performance ($\beta = 0.276$, $t = 3.215$, $p = 0.001$). This result indicates that inspirational motivation, intellectual stimulation, individualized consideration, and idealized influence can directly strengthen employee effectiveness and productivity. In public transportation, the direct effect is plausible because leaders influence operational discipline, service orientation, problem solving, and employee commitment. The finding is consistent with prior evidence that transformational leadership is associated with employee performance and innovative behavior in service organizations (Ahmad Rizky Hariadi, 2022; Azmy & Perkasa, 2024).

KPI systems and employee performance. KPI systems also have a positive and significant effect on employee performance ($\beta = 0.241$, $t = 2.998$, $p = 0.003$). This suggests that employees perform better when organizational expectations are translated into clear and measurable targets. In public

transportation, KPI systems should prioritize indicators that represent both operational and public-service outcomes, including punctuality, safety, service quality, productivity, complaint resolution, and reliability (Ilham, 2025). The result supports the performance-management view that clear goals and accountability can improve organizational outcomes (Widjaja, Anindita, & Indrawati, 2023), but it also implies that KPI design must avoid reducing performance to easily counted outputs alone.

Transformational Leadership and Expectancy-Based Motivation

Transformational leadership has the strongest direct path to expectancy-based motivation among the organizational antecedents ($\beta = 0.489$, $t = 5.874$, $p < 0.001$). This finding indicates that leadership can shape employees' beliefs that effort is feasible, performance is attainable, and desirable outcomes can follow from successful work. Recent empirical evidence similarly indicates that transformational leadership is positively associated with work motivation, while procedural justice can strengthen the motivational pathway (Ali, Gul, Aziz Ur Rehman, & Adnan, 2023). A transformational leader can strengthen expectancy by providing coaching and resources, instrumentality by making performance consequences credible, and valence by connecting organizational outcomes with outcomes employees value (Osafo et al., 2021). Thus, expectancy theory provides a more specific mechanism than a generic claim that 'leadership increases motivation.'

KPI Systems and Expectancy-Based Motivation

KPI systems significantly affect expectancy-based motivation ($\beta = 0.352$, $t = 4.112$, $p < 0.001$). The result indicates that the motivational value of a KPI system depends on employees' perceptions of clarity, measurability, fairness, feedback, and the credibility of performance consequences. Recent research on performance-management systems demonstrates that KPI provision can influence both operational performance and employee motivation, although the motivational effect depends on how performance information is designed and communicated (Jasmin Ohlig et al., 2022). A KPI system that employees understand and perceive as attainable can strengthen expectancy; a transparent link between achievement and recognition can strengthen instrumentality; and meaningful recognition or rewards can strengthen valence. Recent evidence also suggests that KPI systems should not be treated as purely technical measurement instruments because their relationship with employee motivation may vary according to context and implementation (Micel & Sandra, 2024). This interpretation is consistent with expectancy theory and explains why the mere existence of KPIs is insufficient without credible implementation.

Expectancy-Based Motivation and Employee Performance

Expectancy-based motivation has a positive and significant effect on employee performance ($\beta = 0.418$, $t = 5.126$, $p < 0.001$). Among the direct relationships in the model, this is the largest coefficient, highlighting the importance of motivational beliefs in translating organizational conditions into performance behavior. Employees are more likely to invest effort when they believe that effort can produce performance and that performance can lead to valued outcomes. In a public transportation organization, this mechanism can support productivity and service quality when performance expectations, resources, feedback, and rewards are aligned.

Partial Mediation and Theoretical Advancement

The indirect effect of transformational leadership through expectancy-based motivation is significant ($\beta = 0.204$, $t = 4.321$, $p < 0.001$), while the indirect effect of KPI systems through expectancy-based motivation is also significant ($\beta = 0.147$, $t = 3.765$, $p < 0.001$). Because the corresponding direct effects remain significant, expectancy-based motivation constitutes partial rather than full mediation. The theoretical implication is important: leadership and KPI systems affect performance through at least two pathways. One pathway is motivational and cognitive, operating through employees' expectancy, instrumentality, and valence perceptions; the other is direct, reflecting operational, behavioral, or organizational effects that are not captured by the mediator (Udin, 2023). This finding extends prior mediation studies that typically use general work motivation or alternative mediators by specifying the motivational mechanism more precisely (Hoeroni & Gunawan, 2023).

Integrative Theoretical Model and Propositions

Based on the empirical pattern, the study proposes an integrative framework in which transformational leadership and KPI systems constitute organizational antecedents, expectancy-based motivation functions as the central motivational mechanism, and employee performance represents the behavioral outcome. The framework can generate four propositions for future research: P1, the positive effect of transformational leadership on performance is stronger when leaders provide credible coaching, resources, and individualized consideration; P2, the positive effect of KPI systems on expectancy-based motivation is stronger when targets are clear, attainable, relevant, and transparently evaluated; P3, the mediating effect of expectancy-based motivation is stronger when performance-to-reward linkages are credible and rewards are valued by employees; and P4, the motivational mediation is weaker when employees perceive KPI evaluation as unfair, unattainable, punitive, or vulnerable to manipulation. These propositions are not additional hypotheses tested in the present dataset; they are theoretical extensions derived from the observed mediation pattern (Hafid Gisen Parastra, Yunia Wardi, 2023).

Boundary Conditions and Public-Service Context

The proposed conditions are especially relevant to public transportation because employees operate under safety requirements, customer-facing demands, schedule pressure, and institutional rules. Under such conditions, a KPI system may improve performance when it provides useful guidance, but may produce unintended consequences if employees focus narrowly on measured targets. Possible risks include gaming behavior, manipulation of records, unsafe shortcuts, and neglect of service dimensions that are difficult to quantify. Consequently, the effectiveness of expectancy-based motivation should be understood as contingent on fairness, attainable targets, balanced indicators, credible feedback, and ethical leadership (Jasmin Ohlig et al., 2022).

Islamic Ethical Interpretation: Amanah and Shura

The empirical relationship between transformational leadership and performance can be interpreted through amanah, which frames leadership as a responsibility that must be exercised with competence, honesty, and concern for those affected by organizational decisions. Shura complements transformational leadership by encouraging consultation with employees regarding operational targets, work constraints, and service improvements (Permana, Asep Nur Imam Munandar, Ririn Tri Ratnasari, Sulistya Rusgianto, 2026). This interpretation does not mean that amanah or shura were statistically tested; rather, they provide an ethical lens for assessing how the empirical relationships should be implemented in a Muslim-majority public-service environment (Michael Yulian Feno, Cahya Milia Tirta Safitri, 2026).

Islamic Ethical Interpretation: Adl and Hisbah in KPI Governance

The positive relationship between KPI systems and performance should not be interpreted as support for target pressure without ethical safeguards. Adl requires fair, transparent, and consistent evaluation, while hisbah provides an accountability orientation focused on correcting conduct and protecting public interest. In practice, KPI systems should therefore balance punctuality and productivity with safety, service quality, accessibility, complaint resolution, and passenger welfare. Achievement should not be rewarded when it is obtained through unsafe driving, falsification, discrimination, or other practices that improve numerical scores while harming the public (Hoeroni & Gunawan, 2023).

Islamic Ethical Interpretation: Ihsan and the Meaning of Motivation

Expectancy-based motivation is compatible with legitimate material and non-material outcomes, but the Islamic perspective adds an ethical dimension to what counts as a valued outcome. Ihsan encourages excellence and responsible service beyond minimum contractual compliance. In public transportation, this means that employees can be encouraged not only by rewards but also by the value of protecting passengers, serving the community, and performing responsibilities with integrity. This complements rather than replaces expectancy theory: expectancy theory explains the cognitive mechanism of motivation, while Islamic ethics provides normative guidance about the fairness and moral quality of organizational practices and outcomes (Andika Jani Alkautsar & Suhartini, 2025).

The R-square results indicate that transformational leadership and KPI systems explain 64.2% of the variance in expectancy-based motivation, while transformational leadership, KPI systems, and expectancy-based motivation jointly explain 71.1% of the variance in employee performance. These values indicate substantial explanatory power for the tested endogenous constructs. They also reinforce the argument that motivation is an important mechanism, while leaving meaningful unexplained variance that future studies can examine through additional organizational and contextual variables.

The findings translate into specific interventions. For frontline supervisors, organizations should provide short, job-embedded coaching on inspirational communication, constructive feedback, conflict management, individualized support, and safety-oriented decision making. For middle managers, leadership development can use on-the-job coaching, mentoring, and simulation-based exercises built around common transportation scenarios such as service disruption, passenger complaints, schedule pressure, and safety incidents. For KPI designers, indicators should combine operational targets with safety and service-quality measures, use attainable benchmarks, provide regular feedback, and include both quantitative and qualitative evidence. Recognition should be linked to verified performance through transparent procedures rather than to raw numerical achievement alone (Noor Aflah et al., 2021).

At the organizational level, senior executives should establish a KPI governance process that periodically reviews indicator relevance, target attainability, fairness, and unintended consequences. Employees should have a structured channel to challenge unclear or unrealistic indicators, and KPI reviews should distinguish controllable employee outcomes from system-level constraints. At the policy level, transportation authorities can support standardized competency frameworks for public transportation managers, certification or continuing-development requirements for leadership, technical assistance for performance-management systems, and incentives for organizations that demonstrate improvements in safety, service quality, and workforce capability. These measures can be implemented in cost-effective ways through internal coaching, peer mentoring, digital learning modules, and periodic KPI calibration rather than relying exclusively on expensive external training (Syauqi Asyhabira, Evan Nugraha, Oviyan Patra, 2025).

The recommendations differ according to decision authority. Frontline supervisors should focus on coaching, daily feedback, fair treatment, and safe service execution. Middle managers should integrate workforce development with KPI review, mentoring, and service-improvement initiatives. Senior executives should ensure that KPI architecture, reward systems, and leadership development are aligned and adequately resourced. Regulators and transportation authorities should provide sector-wide competency standards, technical guidance, and incentives while monitoring risks related to safety, fairness, and public accountability. This multilevel approach makes the empirical findings actionable rather than limiting the implications to a general recommendation to 'improve leadership and KPIs.

CONCLUSION

This study concludes that transformational leadership and KPI systems significantly improve employee performance in public transportation, both directly and indirectly through expectancy-based motivation. Transformational leadership positively affects employee performance ($\beta = 0.276$) and expectancy-based motivation ($\beta = 0.489$), while KPI systems positively affect employee performance ($\beta = 0.241$) and expectancy-based motivation ($\beta = 0.352$). Expectancy-based motivation, in turn, has a significant positive effect on employee performance ($\beta = 0.418$). The significant indirect effects of transformational leadership ($\beta = 0.204$) and KPI systems ($\beta = 0.147$) confirm partial mediation. The model explains 64.2% of the variance in expectancy-based motivation and 71.1% of employee performance. The principal theoretical contribution is the more precise positioning of expectancy-based motivation as the cognitive mechanism linking organizational leadership and performance-management systems to employee performance. Rather than treating motivation as a broad intervening concept, the model highlights the importance of employees' beliefs about effort, performance, and valued outcomes. The coexistence of significant direct and indirect effects further indicates that motivational mechanisms complement, rather than completely replace, direct organizational influences. The proposed boundary conditions leadership credibility, KPI clarity and attainability, fairness, feedback quality, and credible rewards provide a basis for future research on when the mediation becomes stronger or weaker.

For Islamic economics and management, the study contributes an ethical interpretation rather than an additional empirical construct. Amanah and shura can guide transformational leadership; *adl* and *hisbah* can govern fair, transparent, and accountable KPI systems; and *ihsan* can orient motivation toward excellence and public service. These principles are especially relevant in public transportation because performance must protect passenger safety, employee rights, fairness, and public trust. The Islamic framework therefore strengthens the journal relevance while preserving the empirical boundaries of the quantitative model. Practically, organizations should implement leadership development through on-the-job coaching, mentoring, and scenario-based simulation; design KPIs that balance punctuality and productivity with safety and service quality; provide regular and transparent feedback; and link verified performance to fair recognition. Senior executives should establish periodic KPI calibration and safeguards against gaming or unsafe target pursuit, while transportation authorities can support competency standards, certification, technical assistance, and cost-effective development programs. These recommendations translate the findings into actionable strategies for frontline supervisors, middle managers, senior executives, and policymakers.

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AUTHOR CONTRIBUTION STATEMENT

Conceptualization and methodology were developed by Robby Ardiansyah and Djoko Soelistya. Data collection, formal analysis, and investigation were carried out by Robby Ardiansyah. Original draft preparation and writing were conducted by Robby Ardiansyah, while review, editing, and supervision were performed by Djoko Soelistya. Both authors have read and approved the final version of the manuscript and agree to be accountable for all aspects of this work.

AI DISCLOSURE STATEMENT

During the preparation of this work, the author(s) used AI-assisted tools, such as grammar checkers and language enhancement software, solely for the purpose of improving readability and refining the language of the manuscript. No generative AI tools were used for data analysis, statistical modeling using SEM-PLS, interpretation of results, conceptual development, or core scientific writing. The authors take full responsibility for the originality, accuracy, and integrity of the research findings and the final content of this article.

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CONFLICTS OF INTEREST

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper. The research was conducted independently, and the results are presented objectively and without bias. The authors have no affiliation with or financial interest in any public transportation organization that could be perceived as influencing the analysis or conclusions of this study.

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