

THE EFFECT OF TRANSACTIONAL LEADERSHIP ON EMPLOYEE PERFORMANCE WITH ENTREPRENEURIAL PASSION AS AN INTERVENING VARIABLE

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Abstract

Increasingly intense competition in the electric vehicle automotive industry requires companies to possess high-quality human resources to achieve optimal employee performance. This study aims to analyze the influence of transactional leadership on employee performance, with entrepreneurial passion serving as an intervening variable, at the BYD Haka Auto Madiun dealership. The study employs a quantitative approach with a population and sample of 52 employees, utilizing a saturated sampling technique. Data were collected via Likert-scale questionnaires and analyzed using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method with the aid of SmartPLS 4.0 software. The results indicate that transactional leadership has a positive and significant influence on both employee performance and entrepreneurial passion; entrepreneurial passion has a positive and significant influence on employee performance and is proven to significantly mediate the influence of transactional leadership on employee performance. Consequently, all research hypotheses were accepted, demonstrating that employee performance is influenced both directly by transactional leadership and indirectly through the strengthening of entrepreneurial passion.

Keywords: Transactional Leadership, Entrepreneurial Passion, Employee Performance, PLS-SEM.

A. INTRODUCTION

Human resource management is a central pillar of organizational success, since employees are the productive individuals who drive an organization's activities and must therefore be trained and developed as strategic assets (Syafrina, 2019). The Industry 5.0 era has brought major changes across sectors, including the automotive industry, marked not only by the growing use of digital technology but also by the shift toward environmentally friendly energy in transportation. Electric vehicles (EVs) have become one of the most significant

innovations in this transformation, offering greater efficiency and lower carbon emissions than fossil-fuel vehicles (Kotler, P., & Keller, 2022).

Indonesia's automotive sector has grown rapidly alongside rising investment, technological advancement, and supportive government policy, including subsidies, charging-station infrastructure, and tax incentives for EV users (Kementerian Perindustrian RI., 2024). National data likewise show positive growth in vehicle trade driven by growing public interest in electric and modern transportation technology (BPS, 2024). This growth has intensified competition among automotive brands such as Hyundai, BYD, Nissan, Wuling, and Toyota, each pursuing different strategies in production localization, technology development, and customer service (Kuswardani, 2024).

One of the companies operating in this competitive environment is the BYD Haka Auto dealership in Madiun, which markets several BYD models with differing specifications and prices. As the company continues to grow, employees are required to understand modern automotive technology, deliver professional service, and work effectively under demanding sales targets. Preliminary observation identified challenges such as high monthly sales-target pressure, the need for fast customer service, and varying levels of employee enthusiasm, all of which point to the importance of *employee performance* for the dealership's success. Customer review data further show that friendliness, product knowledge, and service speed are the most frequently praised aspects of employee performance, underlining its relevance as the central outcome of this study.

Employee performance is the result of work achieved by employees in relation to the tasks and responsibilities assigned by the organization, and reflects an individual's ability to complete work effectively and efficiently in line with organizational goals (Mangkunegara, 2021);(Koopmans et al., 2021)). One factor believed to influence employee performance is *transactional leadership*, a leadership style built on an exchange relationship between leaders and subordinates through reward and correction based on work achievement (Bass, 1985). By setting clear targets, monitoring work, and rewarding goal attainment, transactional leaders are expected to strengthen employee discipline and performance (Banks et al., 2020).

Beyond leadership, internal psychological factors such as *entrepreneurial passion* a strong positive emotion and intrinsic motivation toward one's work are also considered important drivers of performance, as passionate employees tend to be more enthusiastic, creative, and resilient under pressure (Cardon et al., 2009); (Vallerand et al., 2003)). Prior research testing transactional leadership, entrepreneurial passion, and employee performance together remains limited, particularly in the electric-vehicle retail context in Indonesia; the primary reference for this study, (Abdelwahed et al., 2023), found that transactional leadership positively affects employee performance both directly and indirectly through entrepreneurial passion (Abdelwahed et al., 2023). Building on this gap, and given that companies must combine sound leadership with adaptive, professional human resources to remain competitive (Dessler, 2022), this study aims to analyze the influence of transactional leadership on employee performance, with entrepreneurial passion as an intervening variable, among employees of the BYD Haka Auto dealership in Madiun.

THEORITICAL RIVIEW

Employee Performance

According to Koopmans *et al.*, (2021), employee performance reflects an individual's ability to complete work effectively and efficiently in accordance with organizational goals. Mangkunegara, (2021) adds that employee performance is the qualitative and quantitative result of work achieved by an employee in carrying out assigned duties, while Robbins, (2019) defines it as the outcome of evaluating an employee's work against the standards set by the organization. Taken together, employee performance can be understood as the quality and quantity of work an employee produces while fulfilling responsibilities in pursuit of organizational objectives.

Transactional Leadership

According to Bass (1985), transactional leadership is a leadership style that emphasizes an exchange relationship between leaders and subordinates through the provision of rewards and corrective action based on employees' work achievement. Leaders who apply this style typically set clear performance targets, monitor work systematically, and provide recognition or correction based on the results achieved. Northouse, (2021) further explains that transactional

leadership aims to maintain organizational stability through work supervision, performance evaluation, and a clear system of reciprocity between leaders and followers.

Entrepreneurial Passion

Vallerand et al., (2003) describe passion as a strong inclination toward an activity that a person likes, considers important, and engages in repeatedly to the point that it becomes part of one's identity. Cardon (2009) define entrepreneurial passion more specifically as an intense positive feeling toward activities related to entrepreneurial or work-related identity, which drives individuals to remain engaged, energized, and committed to their work. Baum and Locke (2004) similarly note that passion is an internal drive that pushes individuals to work with enthusiasm, persistence, and strong commitment toward achieving success.

HYPOTHESIS

H1 : Transactional leadership has a positive and significant effect on employee performance.

H2 : Transactional leadership has a positive and significant effect on entrepreneurial passion.

H3 : Entrepreneurial passion has a positive and significant effect on employee performance.

H4 : The Intervening Role of Entrepreneurial Passion in the Relationship between Transactional Leadership and Employee Performance

B. METHOD

This study employs a quantitative approach to analyze the influence of transactional leadership on employee performance, with entrepreneurial passion as an intervening variable. The research was conducted at the BYD Haka Auto dealership in Madiun, involving all 52 employees of the dealership as respondents through a saturated sampling technique, a non-probability sampling method in which the entire population is used as the sample Sugiyono, (2023). Data were collected using Likert-scale questionnaires covering the variables of transactional leadership (independent), entrepreneurial passion (intervening), and employee performance (dependent), and were analyzed using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method with the aid of SmartPLS 4.0. The analysis stages included evaluation of the outer model (validity and reliability testing), evaluation of the inner

model through the coefficient of determination (R-Square) and effect size (F-Square), and hypothesis testing using the bootstrapping procedure.

C. RESULTS AND DISCUSSIONS

Coefficient of Determination (R-Square)

The R-Square value indicates how much variance in the endogenous variables is explained by the exogenous variables in the model. Following Hair *et al.* (2022), an R-Square of 0.75 indicates a substantial model, 0.50 a moderate model, and 0.25 a weak model. The results are presented in Table 1.1

Table 1.1 R-Square Results

Variable	R-Square	R-Square Adjusted
Entrepreneurial Passion	0.458	0.447
Employee Performance	0.715	0.704

Source: Primary Data Processed (2026)

The entrepreneurial passion variable obtained an R-Square value of 0.458, meaning that 45.8% of its variance is explained by transactional leadership, with the remaining 54.2% explained by other variables outside the model. The employee performance variable obtained an R-Square value of 0.715, meaning that 71.5% of its variance is jointly explained by transactional leadership and entrepreneurial passion, classifying the model as moderate to substantial.

Effect Size (F-Square)

The F-Square test measures the contribution of each exogenous variable to an endogenous variable, with values of 0.02, 0.15, and 0.35 indicating small, medium, and large effects respectively. The results are presented in Table 2.

Table 2. F-Square Results

Relationship	F-Square
Transactional Leadership → Employee Performance	0.451
Transactional Leadership → Entrepreneurial Passion	0.846
Entrepreneurial Passion → Employee Performance	0.362

Source: Primary Data Processed (2026)

Table 2 shows that transactional leadership has a large effect on both employee performance (0.451) and entrepreneurial passion (0.846), while entrepreneurial passion has a large effect on employee performance (0.362), confirming the substantive contribution of each construct within the structural model.

Hypothesis Testing (Bootstrapping)

Hypothesis testing was conducted using the bootstrapping procedure in SmartPLS to examine the direct and indirect relationships among variables. A hypothesis is accepted if the *t-statistics* value exceeds 1.96 and the *p-value* is below 0.05 at a 5% significance level. The results are presented in Table 3.

Table 3. Hypothesis Testing Results

Hypothesis	Relationship	Original Sample	T-Statistics	P Values	Decision
H1	Transactional Leadership → Employee Performance	0.487	3.776	0.000	Accepted
H2	Transactional Leadership → Entrepreneurial Passion	0.677	7.857	0.000	Accepted
H3	Entrepreneurial Passion → Employee Performance	0.436	3.437	0.001	Accepted
H4	Transactional Leadership → Entrepreneurial Passion → Employee Performance	0.295	3.135	0.002	Accepted

Source: Primary Data Processed (2026)

The first hypothesis test produced a *t-statistics* value of 3.776 (> 1.96) and a *p-value* of 0.000 (< 0.05); H1 is therefore accepted, indicating that transactional leadership has a positive and significant effect on employee performance. Leaders who grant employees the latitude to resolve work problems appear to foster a stronger sense of responsibility, which in turn supports

the completion of assigned tasks and the responsible use of company facilities, in line with Bass and Avolio,(1985) view that transactional leadership strengthens organizational effectiveness through a clear system of rewards.

accepted, indicating that entrepreneurial passion has a positive and significant effect on The second hypothesis test produced a *t-statistics* value of 7.857 (> 1.96) and a *p-value* of 0.000 (< 0.05); H2 is therefore accepted, indicating that transactional leadership has a positive and significant effect on entrepreneurial passion. The trust and autonomy provided by supervisors appear to encourage employees' intrinsic drive to deliver their best work, consistent with Cardon, et al., (2009) view that entrepreneurial passion is a positive emotional response cultivated through meaningful engagement at work.

The third hypothesis test produced a *t-statistics* value of 3.437 (> 1.96) and a *p-value* of 0.001 (< 0.05); H3 is therefore employee performance. Employees with a stronger drive to achieve the best possible results tend to complete their tasks more responsibly, supporting Cardon *et al.*'s (2009) argument that passion fuels motivation, creativity, and persistence at work.

The fourth hypothesis test produced a *t-statistics* value of 3.135 (> 1.96) and a *p-value* of 0.002 (< 0.05); H4 is therefore accepted, indicating that entrepreneurial passion significantly mediates the effect of transactional leadership on employee performance. This finding shows that transactional leadership improves employee performance not only directly, but also indirectly by first strengthening employees' entrepreneurial passion — a result consistent with the main reference study by (Abdelwahed et al., 2023), who identified entrepreneurial passion as a significant mediating mechanism between transactional leadership and employee performance.

D. CONCLUSIONS

Based on the results and discussion, transactional leadership has a positive and significant effect on both employee performance and entrepreneurial passion, and entrepreneurial passion has a positive and significant effect on employee performance. Entrepreneurial passion is also confirmed to act as an intervening variable that mediates the effect of transactional leadership

on employee performance, meaning that transactional leadership improves performance both directly and indirectly through the strengthening of employees' passion for their work. This study is limited to employees of a single dealership, BYD Haka Auto Madiun, so the findings cannot be generalized to organizations with different characteristics; it also examines only three variables, while data collection relied on questionnaires reflecting respondents' subjective perceptions.

E. SUGGESTIONS

The company is advised to maintain and strengthen its transactional leadership practices, particularly reward systems for target achievement and the autonomy given to employees in resolving work problems, while adopting a more proactive approach to supervision and periodic evaluation rather than intervening only after problems arise. Regular training and development activities are also recommended to cultivate employees' entrepreneurial passion, given its substantial contribution to performance. Future research is encouraged to extend the study to other electric-vehicle dealerships or organizations, incorporate additional variables such as job satisfaction, organizational commitment, or work culture, and consider mixed-method approaches to enrich understanding of the relationship between leadership, entrepreneurial passion, and employee performance.

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