

Improving Employee Performance through Ethical Leadership and Intrinsic Motivation PT Anugerah Samudera Madaindo

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Abstract. *This study aims to analyze the improvement of company employee performance through Ethical Leadership of PT Anugerah Samudera Madaindo, as well as to test the mediating role of intrinsic motivation in the relationship. The research method used is quantitative with a causal research design approach. The research sample amounted to 50 employees of PT Anugerah Samudera Madaindo in 2026. Data collection was carried out through questionnaires analyzed using Structural Equation Modeling (SEM) with the help of WarpPLS software. The results of the study indicate that Ethical Leadership has a significant effect on Employee Performance. Ethical Leadership has a significant effect on Intrinsic Motivation. In addition, intrinsic motivation is proven to play a role as a mediator in the relationship between Ethical Leadership and employee performance. These findings emphasize the importance of Ethical Leadership and intrinsic motivation in improving employee performance of PT Anugerah Samudera Madaindo. This study provides theoretical and practical contributions for leaders in the divisions they lead so that employee productivity and performance can be improved.*

Keywords: *Employee Performance; Ethical Leadership; Intrinsic Motivation; Causal Research Design; SEM-PLS.*

1. Introduction

Employee performance is a key pillar in determining the success of an organization or company. In today's increasingly competitive and dynamic business environment, companies are required to rely not only on technological excellence or market strategies, but also on the quality of their human resources. Optimal employee performance directly contributes to increased productivity, operational efficiency, and the achievement of a company's strategic goals (Qalati et al., 2022). Without strong individual performance support, companies will struggle to achieve their targets and may even experience setbacks amidst industry competition (Farida & Setiawan, 2022).

Intrinsic motivation is the drive that arises from within an individual to engage in an activity because it is perceived as personally meaningful, enjoyable, or challenging, rather than solely for external rewards such as salary or promotion (Fishbach & Woolley, 2022a). In an organizational context, intrinsic motivation is a crucial component that encourages employees to work enthusiastically, demonstrate initiative, and continuously develop themselves without always relying on material incentives (Hoxha & Ramadani, 2024).

According to Self-Determination Theory (SDT) developed by Deci and Ryan (2000), intrinsic motivation grows when three basic psychological needs are met: autonomy (freedom to act), competence (ability to succeed in tasks), and relatedness (a sense of belonging and social connectedness). When organizations create a work environment that allows employees to experience these three aspects, intrinsic motivation will naturally grow and develop (Putra et al., 2017).

Intrinsically motivated employees tend to be more proactive in completing tasks, seeking innovative solutions, and contributing to improving work processes. Because their drive to work comes from within, they are able to maintain consistently high performance, even in situations that offer no immediate rewards (Modise, 2023). Intrinsic motivation makes employees more resilient to work pressure and more persistent in facing challenges because they enjoy the process of working itself (Cheng et al., 2023).

In terms of loyalty, when employees feel their work is meaningful and aligned with their personal values, they tend to be more satisfied and emotionally engaged with their work and the company. Intrinsic motivation strengthens affective commitment, which is an employee's emotional attachment to the organization, which is a key factor in preventing turnover (Pandya, 2024). Intrinsically motivated employees are more likely to exhibit positive behaviors beyond their job descriptions, such as helping coworkers, maintaining the company's reputation, and providing constructive feedback (Koeswayo et al., 2024). Every company strives to build and maintain intrinsic employee motivation, a crucial strategy for boosting work productivity and long-term loyalty. Especially in complex and stressful industrial environments, the presence of intrinsically motivated employees is an invaluable asset to organizational sustainability (Deci et al., 2017). Therefore, companies need to adopt managerial approaches that support the development of intrinsic motivation, such as providing autonomy in their work, recognizing individual achievements, and creating a supportive and trusting work environment (Ángeles López-Cabarcos et al., 2022).

One of the most crucial factors in shaping and maintaining employee performance is leadership. In this context, a leadership style that emphasizes ethical values and integrity, known as ethical leadership, is becoming increasingly relevant and necessary. Ethical leadership refers to the behavior of leaders who demonstrate honesty, fairness, responsibility, and concern for the welfare of their subordinates (Ughulu, 2024). Leaders who uphold moral principles not only provide clear direction but also serve as role models in acting fairly and consistently (Kim et al., 2023). Ethical leadership has a significant impact on an organization's work culture. By building a work environment based on trust, transparency, and mutual respect, ethical leadership creates a healthy and supportive climate for the development of employee potential. A healthy work culture, in turn, increases employee engagement, loyalty, and intrinsic motivation in carrying out their duties.

2. Research Methods

This study uses a quantitative approach with a causal research design. This design was chosen because the study aims to examine the direct and indirect effects of Ethical Leadership (the independent variable) on Employee Performance (the dependent variable), with Intrinsic Motivation as a mediating variable. A quantitative approach is relevant because it allows for objective measurement of the relationship between variables using numerical data and inferential statistical analysis (Bennett, 2025).

This research model is cross-sectional, where data is collected at a specific point in time, so that it can provide an overview of the relationship between variables during the observation period (Cvetkovic-Vega et al., 2021).

3. Results and Discussion

3.1. Descriptive Statistical Test Results

Descriptive statistics is a statistical method used to collect, summarize, present, and describe raw data to make it easier to understand and provide meaningful information. This analysis aims only to describe the characteristics of the data being studied, without generalizing or drawing conclusions for the broader population.

Table Descriptive Statistics Value Results

	Indicator	Mean	Standard Deviation
<i>Ethical Leadership(X)</i>	1. Demonstrate fairness in decisions 2. Be a role model of ethical behavior 3. Communicating clear ethical standards	63.14	4.23306
<i>Intrinsic Motivation (Z)</i>	1. Enjoying the challenges of work 2. Feeling satisfied when completing work 3. Enjoy the work process 4. Confidence in work 5. Independence in working	53.64	3.10207
<i>Employee Performance (Y)</i>	1. Timeliness of task completion 2. Quality of work results 3. Productivity 4. Compliance with work procedures 5. Ability to work in a team	50.86	3.03725

Based on the table above, Ethical Leadership has a mean value of 63.14 and a standard deviation value of 4.23306, this shows that there are managerial implications of Ethical Leadership, namely the necessity for managers and company leaders to make moral values,

justice, and integrity as an operational foundation to boost employee performance and work comfort.

Intrinsic Motivation has a mean value of 53.64 and a standard deviation value of 3.10207, this shows that there are managerial implications of intrinsic motivation, namely the need for strategic steps to be taken by a manager to encourage employees to work based on internal satisfaction, a sense of responsibility, and personal interests, not only because of external rewards such as bonuses or money. Intrinsically motivated employees are proven to be more creative, have high commitment, and tend to stay longer in the company.

Employee performance has a mean value of 50.8600 and a standard deviation value of 3.03725, this shows that there are managerial implications of employee performance in the form of real steps that must be taken by management or company leaders based on the results of evaluations or research to maintain and improve work productivity.

a. Respondent Description Overview Results

This study aims to determine whether intrinsic motivation mediates the influence of ethical leadership on employee performance. In this study, data were obtained by distributing questionnaires to permanent employees of PT ASM with a minimum of one year of service and who are still actively working. All collected research data were then analyzed descriptively and quantitatively. The number of respondents in this study was 50 employees. Based on the results of the questionnaire distribution to the respondents, an overview of the characteristics of the respondents can be seen, grouped by gender, age, and highest education.

1. Respondent Characteristics Based on Gender

Based on the results of distributing the questionnaire, the data obtained are shown in the following table:

Table Respondent Characteristics Based on Gender

Gender	N	Percentage (%)
Man	39	78.0
Woman	11	22.0
Total	50	100.0

Table shows that 39 (78%) of the respondents were male, while 11 (22%) were female. This indicates that male respondents still had the highest frequency. Based on available data, male respondents were the highest in several studies. This indicates that in some contexts, male respondents participated more than female respondents.

2. Respondent Characteristics Based on Age

Based on the results of distributing the questionnaire, the data obtained are shown in the following table:

Table Respondent Characteristics Based on Age

Age	N	Percentage (%)
20 - 25 years	4	8.0
25 - 30 years	18	36.0
30 - 35 years	13	26.0
35 - 40 years	8	16.0
More than 40 years	7	14.0
Total	50	100.0

Based on table, it is known that the percentage of respondents aged 20-25 years is 4 or 8%, respondents aged 25-30 years are 18 or 36%, respondents aged 30-35 years are 13 or 26%, respondents aged 35-40 years are 8 or 16%, and respondents aged over 40 years are 7 or 14%. In the percentage of respondents based on 25-30 years, it is important to understand the characteristics of respondents and their impact on the research results. This analysis can provide insight into the preferences, behaviors, and views of different age groups.

3. Respondent Characteristics Based on Education

Based on the results of distributing the questionnaire, the data obtained are shown in the following table:

Table Respondent Characteristics Based on Education

Education	N	Percentage (%)
D3	5	10.0
D4/ S1	35	70.0
High school or equivalent	10	20.0
Total	50	100.0

Based on table, it is known that the percentage of respondents with a D3 education is 5 or 10%, respondents with a D4/S1 education are 35 or 70%, and respondents with a high school or equivalent education are 10 or 20%. In this case, it states that the highest frequency is still held by respondents with a D4/S1 education. This statement indicates that in a study or survey, the majority of respondents have a D4/S1 education level. This means that of all respondents who participated, the group with a Bachelor's education is the largest in number.

b. Measurement Model Test Results (Outer Model)

Outer Model or Measurement Model testing is used to test the validity and reliability of an instrument. The Outer Model test aims to specify the relationship between latent variables and their indicators. Validity testing is conducted to determine the ability of a research instrument to measure what it should measure or the accuracy of the research instrument. This is done by calculating the correlation value of each indicator item value against the total value of all indicators in a variable. Meanwhile, reliability testing is used to measure the consistency of the measuring instrument in measuring a concept. There are three criteria in the use of data analysis techniques with SmartPLS to assess the Outer Model: Convergent Validity, Discriminant Validity, and Composite Reliability.

1. Validity Test

According to Saputra et al., (2026), in the Partial Least Squares (PLS) method, validity testing of reflective indicators is carried out through two main stages. The first stage is convergent validity, which is assessed based on the outer loading or loading factor value of each indicator in its construct. The second stage is discriminant validity, which is tested by reviewing the Average Variance Extracted (AVE) value to ensure that the construct has the ability to differentiate itself from other constructs.

a. Convergent Validity

Validity testing is conducted to ensure that latent variables (unobserved variables) can be accurately represented by observed indicators through Confirmatory Factor Analysis (CFA). An indicator is considered valid if its outer loading value is greater than 0.70. However, in the initial stages of model development, outer loading values above 0.50 are still acceptable (Putra & Hidayat, 2023).

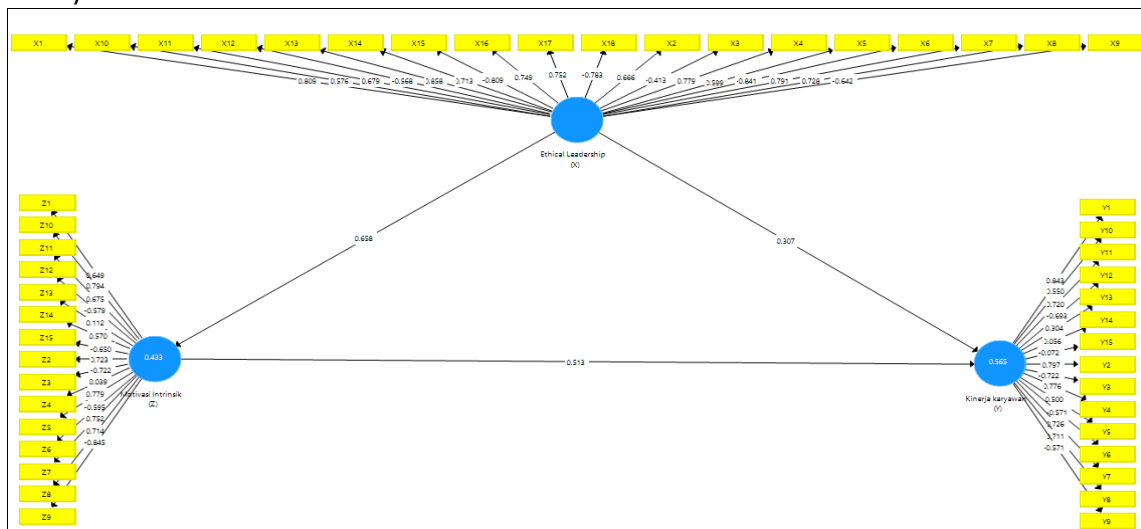


Figure Mark Loading Factor of All Variables

Source: Processed by Researchers (2026)

To see in detail the value of each outer loading on each variable, please see the following description:

1) Ethical Leadership

The results of the validity test are shown in the following table:

Table Loading Factor Value of the Ethical Leadership Variable

Variables	Indicator Code	Outer Loading Value	Condition	Information
Ethical Leadership	X1	0.809	> 0.50	Valid
	X2	0.666	> 0.50	Valid

Variables	Indicator Code	Outer Loading Value	Condition	Information
	X3	0.613	> 0.50	Valid
	X4	0.779	> 0.50	Valid
	X5	0.599	> 0.50	Valid
	X6	0.841	> 0.50	Valid
	X7	0.791	> 0.50	Valid
	X8	0.728	> 0.50	Valid
	X9	0.642	> 0.50	Valid
	X10	0.576	> 0.50	Valid
	X11	0.679	> 0.50	Valid
	X12	0.568	> 0.50	Valid
	X13	0.858	> 0.50	Valid
	X14	0.713	> 0.50	Valid
	X15	0.809	> 0.50	Valid
	X16	0.749	> 0.50	Valid
	X17	0.752	> 0.50	Valid
	X18	0.783	> 0.50	Valid

The table above shows that all outer loading values for the Ethical Leadership variable are >0.50. This proves that all variable indicators used in this study are valid and can be used for hypothesis testing, meeting convergent validity.

2) Intrinsic Motivation

The results of the validity test are shown in the following table:

Table Loading Factor Value of Intrinsic Motivation Variable

Variables	Indicator Code	<i>Outer Loading Value</i>	Condition	Information
Intrinsic Motivation	Z1	0.649	> 0.50	Valid
	Z2	0.723	> 0.50	Valid
	Z3	0.722	> 0.50	Valid
	Z4	0.039	> 0.50	Valid
	Z5	0.779	> 0.50	Valid
	Z6	0.595	> 0.50	Valid
	Z7	0.752	> 0.50	Valid
	Z8	0.714	> 0.50	Valid
	Z9	0.845	> 0.50	Valid
	Z10	0.794	> 0.50	Valid
	Z11	0.675	> 0.50	Valid
	Z12	0.579	> 0.50	Valid

Variables	Indicator Code	Outer Loading Value	Condition	Information
	Z13	0.512	> 0.50	Valid
	Z14	0.570	> 0.50	Valid
	Z15	0.650	> 0.50	Valid

The table above shows that all outer loading values for the Intrinsic Motivation variable are >0.50. This proves that all variable indicators used in this study are valid and can be used for hypothesis testing, meeting convergent validity.

3) Employee performance

The results of the validity test are shown in the following table:

Table Loading Factor Value of Employee Performance Variables

Variables	Indicator Code	Outer Loading Value	Condition	Information
Employee performance	Y1	0.843	> 0.50	Valid
	Y2	0.797	> 0.50	Valid
	Y3	0.722	> 0.50	Valid
	Y4	0.776	> 0.50	Valid
	Y5	0.500	> 0.50	Valid
	Y6	0.571	> 0.50	Valid
	Y7	0.726	> 0.50	Valid
	Y8	0.711	> 0.50	Valid

Variables	Indicator Code	Outer Loading Value	Condition	Information
	Y9	0.571	> 0.50	Valid
	Y10	0.550	> 0.50	Valid
	Y11	0.720	> 0.50	Valid
	Y12	0.693	> 0.50	Valid
	Y13	0.604	> 0.50	Valid
	Y14	0.556	> 0.50	Valid
	Y15	0.572	> 0.50	Valid

The table above shows that all outer loading values for the Employee Performance variable are >0.50. This proves that all variable indicators used in this study are valid and can be used for hypothesis testing, meeting convergent validity.

b. Discriminant Validity

According to Rasoolimanesh (2022), discriminant validity testing can be seen through the cross-loading value and Average Variance Extracted (AVE). The Cross-loading value is used to ensure that each indicator has a stronger relationship with the latent construct it measures compared to other constructs. A construct is said to have good Discriminant Validity if the Cross-loading value of the indicator in its construct is higher than its correlation value with other constructs. This condition indicates that the latent construct is able to predict indicators in its own block more accurately than other construct blocks. Discriminant validity can be seen in the cross-loading between the indicator and its construct. The following are the results of discriminant validity from the cross-loading values between the indicators and their respective constructs:

Table Cross Loading Values of All Variables and Constructs

	<i>Ethical Leadership(X)</i>	<i>Employee Performance (Y)</i>	<i>Intrinsic Motivation (Z)</i>
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	<i>Ethical Leadership(X)</i>	Employee Performance (Y)	Intrinsic Motivation (Z)
X1	0.809		
X2	0.666		
X3	0.613		
X4	0.779		
X5	0.599		
X6	0.841		
X7	0.791		
X8	0.728		
X9	0.642		
X10	0.576		
X11	0.679		
X12	0.568		
X13	0.858		
X14	0.713		
X15	0.809		
X16	0.749		

	<i>Ethical Leadership(X)</i>	Employee Performance (Y)	Intrinsic Motivation (Z)
X17	0.752		
X18	0.783		
Y1		0.843	
Y2		0.797	
Y3		0.722	
Y4		0.776	
Y5		0.500	
Y6		0.571	
Y7		0.726	
Y8		0.711	
Y9		0.571	
Y10		0.550	
Y11		0.720	
Y12		0.693	
Y13		0.604	
Y14		0.556	

	<i>Ethical Leadership(X)</i>	Employee Performance (Y)	Intrinsic Motivation (Z)
Y15		0.572	
Z1			0.649
Z2			0.723
Z3			0.722
Z4			0.039
Z5			0.779
Z6			0.595
Z7			0.752
Z8			0.714
Z9			0.845
Z10			0.794
Z11			0.675
Z12			0.579
Z13			0.512
Z14			0.570
Z15			0.650

The table shows that each construct has a higher correlation value with its own indicators compared to other constructs. Therefore, it can be concluded that all latent constructs have met the criteria for good discriminant validity, because each construct is able to explain the indicators in its block more strongly than the indicators in other construct blocks. Further discriminant validity testing is carried out by examining the Average Variance Extracted (AVE) value. An AVE value is considered good if it has a value greater than >0.5 . The following are the AVE values for all research variables.

Table AVE (Average Variance Extraction) Value

Variables	AVE Value	Condition	Information
<i>Ethical Leadership(X)</i>	0.614	> 0.5	Valid
Employee performance (Y)	0.687	> 0.5	Valid
Intrinsic Motivation (Z)	0.727	> 0.5	Valid

The table above shows that the AVE values for all research variables are >0.5 , thus meeting the requirements for further testing. Therefore, the overall results of both the discriminant and convergent validity tests indicate that the research model is valid. Discriminant validity can also be tested using the Fornell-Larcker Criterion to determine whether the latent variables have adequate discriminant power by comparing the square root of the AVE of a construct with other constructs.

The Fornell-Larcker Criterion is a discriminant validity testing method that compares the square root of the Average Variance Extracted (AVE) with the correlation values between latent variables. Its purpose is to ensure that each construct in the model is distinct from the other constructs. A model is said to have good discriminant validity if the square root of the AVE of each construct is greater than its correlation value with other constructs (Hair et al., 2021). The following are the discriminant validity results from the Fornell-Larcker Criterion values between indicators and their respective constructs.

4. Conclusion

Based on the research objectives, hypothesis testing results, and discussion as explained in the previous chapters, the following conclusions can be drawn:

1. *Ethical Leadership* has a significant influence on Employee Performance.

This means that when leaders uphold moral values, justice and integrity, employees feel safe, motivated and have more trust in the company, so that work results increase.

2. *Ethical Leadership* has a significant effect on Intrinsic Motivation.

This means that when leaders act honestly, fairly, and care about moral values, employees feel psychologically safe. This fosters an intrinsic drive to work not just for rewards, but also for a sense of belonging and responsibility.

3. Intrinsic Motivation has a significant influence on Employee Performance.

This means that when internal motivation from within employees increases, such as a sense of responsibility and job satisfaction, then work results, quality, and productivity within the company will also increase significantly.

4. *Ethical Leadership* has a significant influence on Employee Performance through Intrinsic Motivation.

This means that when leaders are honest and fair, employees feel valued. This fosters intrinsic motivation, which leads to better performance and improves overall performance.

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