

Analysis of The Effect of Three Leadership Styles (Transactional, Transformational and Democratic) on Employee Performance Moderated by Positive Psychological Capital at PT. Sayung Adhimukti

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Abstract. *This study aims to analyze the effect of transactional leadership, transformational leadership, and democratic leadership on employee performance, with Positive Psychological Capital as a moderating variable at PT Sayung Adhimukti. This research employed a quantitative approach with a descriptive-explanatory research design. Primary data were collected through questionnaires distributed to 114 employees of PT Sayung Adhimukti selected using purposive sampling. The data were analyzed using Structural Equation Modeling-Partial Least Squares with the assistance of SmartPLS 4.0 software. The results show that transactional leadership has a positive but insignificant effect on employee performance. Transformational leadership has a positive and significant effect on employee performance. Meanwhile, democratic leadership has a significant effect on employee performance; however, the coefficient direction is negative, indicating that it does not support the initial hypothesis. The moderation test results indicate that Positive Psychological Capital positively and significantly moderates the effect of transformational leadership on employee performance. However, Positive Psychological Capital does not moderate the effect of transactional leadership or democratic leadership on employee performance. These findings suggest that improving employee performance at PT Sayung Adhimukti should be directed toward strengthening transformational leadership supported by the development of Positive Psychological Capital. Democratic leadership may still be applied to enhance communication, participation, and teamwork, but it should be implemented proportionally so that it does not hinder clear direction and work process effectiveness.*

Keywords: *Employee Performance; Democratic Leadership; Positive Psychological Capital; Transactional Leadership; Transformational Leadership.*

1. Introduction

The increasingly competitive business world demands that every company continuously improve productivity, quality, and work effectiveness to maintain business continuity. This demand is even more pronounced in manufacturing companies, as their operational activities depend not only on the availability of machinery and raw materials but also on the ability of human resources to consistently carry out production processes. In this context, employees become a strategic factor, as a company's success in meeting targets, maintaining product quality, and maintaining competitiveness is largely determined by employee performance.

The manufacturing sector remains a key driver of the national and regional economies. The Central Java Provincial Economic Report published by Bank Indonesia (2025) shows that the manufacturing industry is one of the business sectors that makes a significant contribution to Central Java's economic growth. Similarly, the Demak Regency Central Statistics Agency (2025) in its Directory of Large and Medium Manufacturing Industries in Demak Regency shows that manufacturing companies remain a significant part of regional economic activity. This situation emphasizes the need for manufacturing companies to maintain operational effectiveness to sustainably meet market demand.

Employee performance is a crucial indicator in assessing organizational success. Armstrong and Taylor (2023) explain that performance management is concerned with ensuring that individuals and teams contribute to organizational goals. In the context of organizational behavior, Robbins and Judge (2022) emphasize that individual behavior in the workplace can impact organizational effectiveness. Meanwhile, Lousa, Alves, and Koopmans (2024) explain that individual performance can be assessed through task performance, contextual performance, and counterproductive work *behavior*. Thus, employee performance is not only seen from work results, but also from work behaviors that support or hinder the achievement of organizational goals.

PT Sayung Adhimukti is a manufacturing company engaged in the leather tanning sector. As a company that produces leather products, PT Sayung Adhimukti is required to maintain a smooth production process so that production targets can be achieved consistently. However, based on the company's production output data from 2023 to 2025, production achievement has not been able to meet the set targets. The company set a production target of 2,400,000 SQFT annually, while production realization in 2023 only reached 1,864,500 SQFT or 77.69%, in 2024 it was 1,731,800 SQFT or 72.16%, and in 2025 it was 1,582,300 SQFT or 65.93%. The data shows that production realization has decreased consecutively for the past three years.

2. Research Methods

This study uses a quantitative approach with a descriptive-explanatory research type. The quantitative approach was chosen because this study aims to examine the relationship and influence between variables that have been formulated in the research hypothesis, namely the influence of transactional leadership style, transformational leadership style, and democratic leadership style on employee performance with Positive psychological capital as a moderating variable at PT Sayung Adhimukti. Quantitative research emphasizes the objective measurement of variables through numerical data, allowing statistical analysis to obtain conclusions that can be generalized to the research population (Sugiyono, 2023). This type of explanatory research is used because this study not only describes the phenomena that occur in the organization but also explains the causal relationship between variables and examines the role of moderating variables in strengthening or weakening the influence of independent variables on the dependent variable (Sekaran & Bougie, 2020). Data collection was carried out through a survey method using a structured questionnaire distributed to PT Sayung Adhimukti employees as research respondents. Based on its time dimension, this research falls into the cross-sectional study category, meaning data collection is conducted over a specific period to describe the actual conditions of the research object and examine the relationships between variables at the time of the research (Hair et al., 2022). Therefore, this study was designed to obtain empirical evidence regarding the influence of three leadership styles on employee performance and to examine the role of positive psychological capital as a moderating variable in the developed research model.

3. Results and Discussion

3.1. Discussion

The following is a summary of the research results that compare the hypotheses made with the research results that have been proven, presented in the table below:

Table Comparison of Research Hypothesis with Research Results

Hypothesis	Hypothesis Statement	Research result	Conclusion
H1	Transactional leadership style has a positive and significant effect on employee performance.	The Original Sample value was 0.065, the T-statistic was 1.346, and the P-value was 0.089. The results indicated a positive but insignificant effect.	Rejected
H2	Transformational leadership style has a positive and	The Original Sample value is 0.762, the T-statistic is 9.473, and the P-value is	Accepted

Hypothesis	Hypothesis Statement	Research result	Conclusion
	significant influence on employee performance.	0.000. The results show a positive and significant effect.	
H3	Democratic leadership style has a positive and significant influence on employee performance.	The Original Sample value was -0.241, the T-statistic was 2.281, and the P-value was 0.011. The results showed a significant effect, but the direction of the coefficient was negative, thus not in line with the initial hypothesis.	Rejected
H4	<i>Positive Psychological Capital</i> strengthen the influence of transactional leadership style on employee performance.	The Original Sample value was -0.023, the T-statistic was 0.294, and the P-value was 0.384. The results showed a negative and insignificant moderating effect.	Rejected
H5	<i>Positive Psychological Capital</i> strengthen the influence of transformational leadership style on employee performance.	The Original Sample value was 0.189, the T-statistic was 2.066, and the P-value was 0.019. The results indicate a positive and significant moderating effect.	Accepted
H6	<i>Positive Psychological Capital</i> strengthening the influence of democratic leadership style on employee performance.	The Original Sample value is -0.053, the T-statistic is 0.652, and the P-value is 0.257. The results indicate a negative and insignificant moderating effect.	Rejected

Source: Primary Data (Processed, 2026)

Based on the test results using SmartPLS 4.0 as presented in Appendix 3, the discussion of this research begins with an empirical interpretation of the Original Sample (O) value, T-statistic, and P-value. The Original Sample value indicates the direction and magnitude of the influence between variables in the research model, while the T-statistic and P-value indicate the level of significance of the relationship. Therefore, before discussing each hypothesis separately, the PLS results are first explained as a whole to determine which variables have the strongest empirical influence on employee performance.

The test results show that the transactional leadership style has an Original Sample value of 0.065, a T-statistic value of 1.346, and a P-value of 0.089 on employee performance. A positive Original Sample value indicates a positive relationship. However, because the T-statistic value is less than 1.96 and the P-value is greater than 0.05, the effect is not significant. This means

that empirically, the transactional leadership style has not been able to provide a strong influence on employee performance.

Furthermore, transformational leadership style on employee performance has an Original Sample value of 0.762, a T-statistic value of 9.473, and a P-value of 0.000. These results indicate that transformational leadership style has a positive and significant effect on employee performance. Compared to other variables, transformational leadership style has the largest Original Sample value and the highest T-statistic value, so it can be said to be the most empirically powerful variable in explaining employee performance.

The Original Sample value of democratic leadership style on employee performance is -0.241, with a T-statistic of 2.281, and a P-value of 0.011. A P-value less than 0.05 indicates a statistically significant effect. However, a negative Original Sample value indicates that the direction of the relationship between these variables is opposite to the initial hypothesis.

Furthermore, Positive Psychological Capital's Original Sample value for employee performance was 0.353, with a T-statistic of 3.600, and a P-value of 0.000. These results indicate that Positive Psychological Capital has a positive and significant effect on employee performance. This means that the higher an employee's self-efficacy, hope, optimism, and resilience, the higher the likelihood of improved employee performance.

In the moderation effect test, the interaction between Positive Psychological Capital and transactional leadership style had an Original Sample value of -0.023, a T-statistic value of 0.294, and a P-value of 0.384. These results indicate that the moderating effect is not significant, so Positive Psychological Capital is unable to strengthen the influence of transactional leadership style on employee performance.

The interaction between Positive Psychological Capital and transformational leadership style had an Original Sample value of 0.189, a T-statistic of 2.066, and a P-value of 0.019. These results indicate a positive and significant moderating effect. This means that Positive Psychological Capital can strengthen the influence of transformational leadership style on employee performance.

Meanwhile, the interaction between Positive Psychological Capital and democratic leadership style had an Original Sample value of -0.053, a T-statistic of 0.652, and a P-value of 0.257. These results indicate that the moderating effect is insignificant, so Positive Psychological Capital is unable to strengthen the influence of democratic leadership style on employee performance.

Based on the overall PLS results, it can be concluded that transformational leadership style is the most dominant and empirically strongest variable in explaining employee performance at

PT Sayung Adhimukti. This is evident from the highest Original Sample value, namely 0.762, the highest T-statistic value, namely 9.473, and the P-value of 0.000. In addition, the influence of transformational leadership style is also strengthened by Positive Psychological Capital as a moderating variable. Thus, transformational leadership style is the main empirical finding in this study.

3.2. The Influence of Transactional Leadership Style on Employee Performance

Based on the test results using SmartPLS 4.0 as presented in Appendix 3, the transactional leadership style on employee performance has an Original Sample value of 0.065, a T-statistic value of 1.346, and a P-value of 0.089. A positive Original Sample value indicates that transactional leadership style has a positive relationship direction on employee performance. However, the T-statistic value of 1.346 is smaller than 1.96 and the P-value of 0.089 is greater than 0.05. Thus, the effect of transactional leadership style on employee performance is not statistically significant, so the first hypothesis (H1) which states that transactional leadership style has a positive and significant effect on employee performance is rejected.

Empirically, these results indicate that transactional leadership style has not been able to provide a strong contribution in explaining the improvement in employee performance at PT Sayung Adhimukti. Although the direction of the influence is positive, the Original Sample value of 0.065 indicates that the magnitude of the influence of transactional leadership style on employee performance is relatively small compared to other leadership style variables in the research model. This means that when transactional leadership style is tested together with transformational leadership style, democratic leadership style, and Positive Psychological Capital, the influence of transactional leadership style is not strong enough to significantly improve employee performance.

These results indicate that not all leadership styles have the same impact on employee performance. In SEM-PLS testing, a relationship between variables is considered to support the hypothesis if the direction of influence aligns with the hypothesis and is statistically significant. While transactional leadership does have a positive direction, its significance value does not meet the criteria. Therefore, transactional leadership cannot be considered a primary factor significantly improving employee performance at PT Sayung Adhimukti.

In terms of its characteristics, transactional leadership emphasizes an exchange relationship between leaders and employees. Leaders provide direction, set work targets, supervise, provide rewards, and take corrective action if errors or deviations occur. Theoretically, this approach can help organizations maintain work discipline, clarity of targets, adherence to procedures, and achieve work results.

However, the results of this study indicate that at PT Sayung Adhimukti, the transactional approach is not strong enough to significantly improve employee performance. This condition may occur because PT Sayung Adhimukti is a leather tanning manufacturing company with relatively standardized work processes. In such a work environment, employees tend to understand the procedures, production targets, and operational standards that must be met. Therefore, rewards, supervision, and corrective actions from management are not necessarily the most decisive factors in improving employee performance.

Furthermore, employee performance in manufacturing companies is not solely influenced by the transactional relationship between management and employees. Performance can also be influenced by other factors, such as the smoothness of the production process, the quality of raw materials, the condition of machinery, coordination between departments, technical skills, clarity of task allocation, and the employee's ability to complete work according to quality standards. If these factors are more dominant in determining work results, then a transactional leadership style that focuses on rewards and supervision becomes less influential in improving performance.

The results of this study are inconsistent with the research of Hutama, Noermijati, and Irawanto (2024), which found that transactional leadership can improve employee performance through job satisfaction, job stress, and trust. This study demonstrated that transactional leadership can be effective if targets, rewards, performance evaluations, and the relationship between leaders and employees are clear and optimal. However, the results of this study indicate that in the context of PT Sayung Adhimukti, transactional leadership is not yet a dominant factor influencing employee performance.

This finding can also be linked to research by Baig et al. (2021), which showed that the influence of transactional leadership on employee performance is not always directly significant, but can be stronger when considering the role of Positive Psychological Capital. This suggests that transactional leadership does not always stand alone in influencing employee performance. Its effectiveness can depend on the employee's psychological state, the work system, and the organizational context in which the research is conducted.

Thus, the rejection of the first hypothesis does not mean that a transactional leadership style is unimportant for the company. A transactional leadership style is still needed to maintain target clarity, discipline, supervision, adherence to procedures, and evaluation of work results. However, the results of this study indicate that this style is insufficient as the primary approach to improving employee performance. The management of PT Sayung Adhimukti needs to combine a transactional approach with a leadership style that is more capable of providing motivation, inspiration, involvement, and development support to employees so that performance improvements can be achieved more effectively.

3.3. The Influence of Transformational Leadership Style on Employee Performance

Based on the test results using SmartPLS 4.0 as presented in Appendix 3, the transformational leadership style on employee performance has an Original Sample value of 0.762, a T-statistic value of 9.473, and a P-value of 0.000. A positive Original Sample value indicates that the transformational leadership style has a positive relationship direction on employee performance. In addition, the T-statistic value of 9.473 is greater than 1.96 and the P-value of 0.000 is smaller than 0.05. Thus, the second hypothesis (H2) which states that the transformational leadership style has a positive and significant effect on employee performance is accepted.

Empirically, the results indicate that transformational leadership has a strong contribution in explaining the improvement in employee performance at PT Sayung Adhimukti. The Original Sample value of 0.762 indicates that transformational leadership has the greatest direct influence compared to other leadership styles in the research model. Furthermore, the T-statistic value of 9.473 is the highest among the direct relationships tested. This indicates that transformational leadership is the most powerful variable empirically in influencing employee performance.

The strong influence of transformational leadership style indicates that employees of PT Sayung Adhimukti are more responsive to leadership styles that provide inspiration, motivation, individual attention, creativity, and role models. In the context of a leather tanning company, employees not only need work direction and supervision, but also need leaders who can build work morale, provide support, and encourage employees to solve problems more actively.

When viewed from its characteristics, the transformational leadership style emphasizes the leader's ability to develop employee potential and encourage changes in work behavior for the better. Transformational leaders not only provide instructions but also strive to build motivation, create meaning in work, pay attention to employee needs, and encourage creative thinking in dealing with work obstacles. Therefore, this leadership style is more capable of encouraging employees to demonstrate higher performance.

The results of this study can also be explained through valid indicators that form the transformational leadership style variable. These indicators include individualized consideration, intellectual stimulation, inspirational motivation, and idealized influence. Individualized consideration demonstrates a leader's ability to provide attention and guidance according to employee needs. Intellectual stimulation demonstrates a leader's ability to encourage employees to seek new ways, think creatively, and find the best solutions. Inspirational motivation demonstrates a leader's ability to provide motivation, convey a work

vision, and inspire employee enthusiasm. Meanwhile, idealized influence demonstrates a leader's ability to be a role model and build employee trust.

Based on these indicators, the influence of transformational leadership on employee performance is strong because leaders not only direct employees to work but also build psychological readiness and more productive work behaviors. Employees who feel cared for, motivated, given the opportunity to think creatively, and see their leaders as role models are more motivated to perform well, complete tasks on time, maintain the quality of their work, and make positive contributions to the company.

In the context of PT Sayung Adhimukti, the application of a transformational leadership style is crucial because the company faces demands for achieving production targets, quality work results, timeliness, and operational process effectiveness. Leaders who are able to provide motivation, build inspiring communication, and encourage creative problem-solving can help employees better cope with work pressure. This aligns with the needs of manufacturing companies, which require employees not only to comply with procedures but also to demonstrate initiative and responsibility in completing work.

The results of this study align with those of Vila-Vázquez, Castro-Casal, García-Chas, and Álvarez-Pérez (2024), which explains that transformational leadership can shape employee task performance through job characteristics and work engagement. Transformational leaders are able to create more meaningful work, increase employee engagement, and motivate employees to deliver better performance. These results also support the research of Abiansyah and Sunaryanto (2023), which found that transformational leadership influences employee performance.

Thus, the acceptance of the second hypothesis indicates that transformational leadership is an important factor in improving employee performance at PT Sayung Adhimukti. The better the leadership implements individual attention, intellectual stimulation, inspirational motivation, and role modelling, the greater the opportunity for employees to demonstrate better performance. Therefore, the management of PT Sayung Adhimukti needs to strengthen the implementation of transformational leadership through leadership training, communication development, providing work motivation, and developing the leadership's ability to build inspiring and supportive working relationships with employees.

3.4. The Influence of Democratic Leadership Style on Employee Performance

Based on the test results using SmartPLS 4.0 as presented in Appendix 3, the democratic leadership style on employee performance has an Original Sample value of -0.241, a T-statistic value of 2.281, and a P-value of 0.011. The T-statistic value of 2.281 is greater than 1.96 and the P-value of 0.011 is smaller than 0.05. These results indicate that the democratic leadership

style has a significant influence on employee performance. However, the negative Original Sample value indicates that the direction of the influence of the democratic leadership style on employee performance is opposite to the direction of the initial hypothesis which stated a positive influence.

Empirically, the results indicate that democratic leadership style has a significant relationship with employee performance, but the direction of the relationship formed in the research model is negative. Thus, these results need to be interpreted cautiously. Statistical significance indicates that democratic leadership style plays a role in explaining employee performance, but the negative direction of the coefficient indicates that increased perceptions of democratic leadership style are not always followed by increased employee performance in the context of PT Sayung Adhimukti.

This situation can arise because a democratic leadership style emphasizes employee involvement in decision-making, two-way communication, empowerment, opportunities to express opinions, and support for collaboration. In certain organizations, this approach can foster a sense of ownership and responsibility among employees. However, in manufacturing companies with production targets, quality standards, and strict workflows, excessive employee involvement in decision-making can lead to slower work processes if not balanced with firm direction, clear roles, and clearly defined authority boundaries.

In the context of PT Sayung Adhimukti, the tannery production process requires punctuality, adherence to procedures, rapid coordination, and clear operational decisions. Therefore, a democratic leadership style needs to be implemented proportionally. Leaders should still open communication, listen to employee input, and encourage collaboration, but operational decisions must still be directed firmly to avoid disruptions to the production process. If the participation process is not managed properly, employee involvement in decision-making can potentially delay work completion and reduce performance effectiveness.

These results can also be explained by the characteristics of the respondents, most of whom came from the production operations department. Employees in production departments generally work based on operational standards, daily targets, technical instructions, and predetermined task allocations. Under these conditions, employees require clear direction and quick decisions from their leaders. If a democratic leadership style is applied too dominantly without clear boundaries, the discussion process and consideration of input can be less effective in work situations that require immediate decisions.

However, the results of this study do not indicate that a democratic leadership style is unimportant. It remains necessary to foster open communication, increase a sense of appreciation, strengthen collaboration, and provide space for employees to express ideas or work challenges. However, its implementation needs to be tailored to the characteristics of

manufacturing work. In work environments that require speed and adherence to procedures, democratic leadership should be used as a supporting approach, not as the sole primary approach, in operational decision-making.

This finding differs from research by Koirala, Danuwar, and Subedi (2024), which found that democratic leadership had a positive and significant effect on employee performance. These differences in results may be due to differences in organizational context, job characteristics, work structure, and operational needs. In more flexible organizations, employee participation in decision-making can improve motivation and performance. However, in manufacturing companies that rely heavily on process speed, work standards, and decision-making decisiveness, the implementation of democratic leadership needs to be controlled to prevent it from disrupting work effectiveness.

The results of this study align with the views of Khassawneh and Elrehail (2022), who explain that the influence of participative leadership on job performance can be influenced by institutional conditions and the organizational context. This means that participatory or democratic leadership does not always produce the same impact in every organization. Its effectiveness depends on how the participation process is managed, how decisions are made, and how the organizational work structure supports employee engagement.

Thus, the results of this study indicate that a democratic leadership style has a significant influence on employee performance, but the direction of the influence is negative in the research model. Therefore, the implementation of a democratic leadership style at PT Sayung Adhimukti needs to be done selectively and proportionally. Leaders still need to provide space for communication, listen to employee input, and encourage cooperation, but must still maintain firm direction, speed of decision-making, and adherence to work standards. In this way, a democratic leadership style can still provide benefits to the organization without reducing the effectiveness of the production process.

3.5. The Influence of Positive Psychological Capital on Moderating Transactional Leadership Style on Employee Performance

Based on the test results using SmartPLS 4.0 as presented in Appendix 3, the interaction between Positive Psychological Capital and transactional leadership style on employee performance has an Original Sample value of -0.023, a T-statistic value of 0.294, and a P-value of 0.384. The negative Original Sample value indicates that the direction of the interaction relationship is not in accordance with the initial assumption. In addition, the T-statistic value of 0.294 is smaller than 1.96 and the P-value of 0.384 is greater than 0.05. Thus, the moderation effect is not statistically significant, so the fourth hypothesis (H4) which states that Positive Psychological Capital strengthens the influence of transactional leadership style on employee performance is rejected.

Empirically, these results indicate that Positive Psychological Capital is unable to strengthen the influence of transactional leadership style on employee performance at PT Sayung Adhimukti. This means that the level of Positive Psychological Capital possessed by employees does not strengthen the influence of transactional leadership style on performance. The Original Sample value of -0.023 also indicates that the direction of the interaction between Positive Psychological Capital and transactional leadership style tends to be negative, although the effect is not significant.

These results indicate that employees' positive psychological capital is not yet strong enough to make a transactional leadership style a factor capable of significantly improving performance. Employees with high self-efficacy, hope, optimism, and resilience do demonstrate psychological readiness to face work. However, this psychological readiness is not sufficient to magnify the influence of a transactional leadership style that focuses more on rewards, supervision, and corrective action.

In terms of its characteristics, transactional leadership emphasizes the exchange relationship between leaders and employees. Leaders set targets, provide direction, supervise, reward achievements, and provide corrections for work deviations. Meanwhile, Positive Psychological Capital is a positive psychological capacity related to employee self-confidence, hope, optimism, and resilience. Theoretically, positive psychological capital can help employees respond better to work targets and directions. However, this study did not prove significant.

This situation can arise because transactional leadership tends to be mechanical and focused on achieving short-term work targets. In the context of a manufacturing company like PT Sayung Adhimukti, employee work is largely regulated by procedures, production standards, task allocation, and operational oversight. Therefore, even though employees possess positive psychological capital, its influence is not yet strong enough to magnify the impact of transactional leadership on employee performance.

Furthermore, positive psychological capital tends to be more effective when supported by a leadership style that provides inspiration, motivation, individual attention, and room for employee development. Meanwhile, a transactional leadership style places more emphasis on meeting targets, providing rewards, and correcting mistakes. This situation prevents employees' positive psychological capital from being optimally utilized in the relationship between transactional leadership and employee performance.

The results of this study are inconsistent with those of Baig et al. (2021), which showed that positive psychological capital can strengthen the relationship between transactional leadership and employee performance. In that study, positive psychological capital was able to make the influence of transactional leadership on performance more meaningful.

However, the results of this study are more in line with those of Abiansyah and Sunaryanto (2023), who found that psychological capital does not always moderate the relationship between transactional leadership and employee performance. This difference in results indicates that the moderating role of positive psychological capital can vary depending on organizational characteristics, work systems, and the conditions of the respondents.

Thus, the rejection of the fourth hypothesis indicates that Positive Psychological Capital has not been able to strengthen the influence of transactional leadership on employee performance at PT Sayung Adhimukti. A transactional leadership style remains necessary to maintain clear targets, discipline, supervision, and adherence to work procedures. However, if the company wants to utilize employees' positive psychological capital more optimally, the leadership approach needs to be directed toward a more inspirational, supportive style that fosters employee development.

3.6. The Influence of Positive Psychological Capital on Moderating Transformational Leadership Style on Employee Performance

Based on the test results using SmartPLS 4.0 as presented in Appendix 3, the interaction between Positive Psychological Capital and transformational leadership style on employee performance has an Original Sample value of 0.189, a T-statistic value of 2.066, and a P-value of 0.019. A positive Original Sample value indicates that the direction of the interaction relationship is positive. In addition, the T-statistic value of 2.066 is greater than 1.96 and the P-value of 0.019 is less than 0.05. Thus, the moderation effect is statistically significant, so the fifth hypothesis (H5) which states that Positive Psychological Capital strengthens the influence of transformational leadership style on employee performance is accepted.

Empirically, these results indicate that Positive Psychological Capital can strengthen the influence of transformational leadership on employee performance at PT Sayung Adhimukti. This means that the higher an employee's Positive Psychological Capital, the stronger the influence of transformational leadership on improving employee performance. These results also emphasize that transformational leadership is the most dominant variable in this study because it has a direct, positive, and significant impact on employee performance, and its influence is even stronger when supported by Positive Psychological Capital.

The alignment between transformational leadership and positive psychological capital can be explained by their characteristics. Transformational leadership emphasizes inspiration, motivation, individual attention, intellectual stimulation, and leadership role model. Meanwhile, positive psychological capital reflects employees' positive psychological capacities, including self-efficacy, hope, optimism, and resilience. When these two aspects work together, encouragement from leadership is more easily accepted and transformed into productive work behaviors by employees.

Employees with high self-efficacy will be more confident in carrying out the direction and work challenges given by transformational leaders. Employees with high hope will be better able to set work goals and find alternative solutions when faced with obstacles. Employees with high optimism will more easily view work targets as opportunities for growth. Meanwhile, employees with high resilience will be better able to survive and bounce back when faced with pressure or failure at work.

In the context of PT Sayung Adhimukti, these results indicate that transformational leadership will be more effective when applied to employees with strong positive psychological capital. Leaders who provide motivation, convey a clear work vision, provide individual attention, and encourage creativity will more easily influence employees who possess self-confidence, hope, optimism, and resilience in their work. Thus, Positive Psychological Capital is a factor that strengthens the relationship between transformational leadership and employee performance.

These results also demonstrate that improving employee performance is not sufficient through direction and supervision alone. Companies need to foster a combination of inspiring leadership and positive employee psychological well-being. When leaders are able to inspire and employees are psychologically prepared, employees will be more motivated to complete work on time, maintain quality results, assist coworkers, and demonstrate responsibility for achieving company goals.

The results of this study align with those of Abiansyah and Sunaryanto (2023), who found that psychological capital moderates the relationship between transformational leadership and employee performance. These findings indicate that the influence of transformational leadership on performance is stronger when employees possess positive psychological capital. Therefore, these results reinforce the view that positive psychological capital plays a crucial role in supporting the effectiveness of transformational leadership.

Furthermore, these results align with the concept that transformational leadership works through motivational and psychological processes. Transformational leaders don't just issue orders, but also build employee enthusiasm, trust, and commitment. Therefore, when employees possess high levels of Positive Psychological Capital, the influence of transformational leadership is stronger because they have an internal readiness to accept encouragement, overcome obstacles, and maintain performance in challenging work situations.

Thus, the acceptance of the fifth hypothesis indicates that Positive Psychological Capital plays a significant role in strengthening the influence of transformational leadership on employee performance at PT Sayung Adhimukti. The company needs to strengthen its transformational leadership style through leadership training, enhanced communication, motivational support,

and coaching to enable leaders to serve as role models for employees. Furthermore, the company also needs to develop employees' Positive Psychological Capital through training to increase self-confidence, strengthen problem-solving skills, foster motivation, and create a work environment that supports employee optimism and resilience.

By strengthening these two aspects, employee performance can be improved more effectively. Transformational leadership serves as an external driver from the leadership, while Positive Psychological Capital serves as an internal strength within the employee. The combination of the two can help PT Sayung Adhimukti improve employee performance more sustainably, particularly in the face of demanding production targets, work quality, and operational pressures.

3.7. The Influence of Positive Psychological Capital Moderating Democratic Leadership Style on Employee Performance

Based on the test results using SmartPLS 4.0 as presented in Appendix 3, the interaction between Positive Psychological Capital and democratic leadership style on employee performance has an Original Sample value of -0.053, a T-statistic value of 0.652, and a P-value of 0.257. The negative Original Sample value indicates that the direction of the interaction relationship is not in accordance with the initial assumption. In addition, the T-statistic value of 0.652 is smaller than 1.96 and the P-value of 0.257 is greater than 0.05. Thus, the moderation effect is not statistically significant, so the sixth hypothesis (H6) which states that Positive Psychological Capital strengthens the influence of democratic leadership style on employee performance is rejected.

Empirically, these results indicate that Positive Psychological Capital is unable to strengthen the influence of democratic leadership on employee performance at PT Sayung Adhimukti. This means that the level of Positive Psychological Capital possessed by employees does not strengthen the influence of democratic leadership on performance. The Original Sample value of -0.053 also indicates that the direction of the interaction between Positive Psychological Capital and democratic leadership tends to be negative, although the effect is not significant.

These results indicate that employees' positive psychological capital does not yet act as a reinforcing factor in the relationship between democratic leadership and employee performance. Employees with high self-efficacy, hope, optimism, and resilience do demonstrate psychological readiness for work. However, this psychological readiness has not been proven to enhance the influence of democratic leadership on employee performance.

This situation can occur because a democratic leadership style operates primarily through communication, participation, empowerment, and collaboration. The effectiveness of a democratic leadership style depends heavily on how leaders manage participation, listen to

employee input, and make decisions based on work conditions. Meanwhile, Positive Psychological Capital is more related to an individual's psychological readiness to face tasks, pressure, and work obstacles. Therefore, positive psychological capital may not necessarily strengthen the relationship between a democratic leadership style and performance if participation is not managed appropriately.

In the context of PT Sayung Adhimukti, a leather tanning manufacturing company, work processes demand speed, accuracy, adherence to procedures, and clear coordination. A democratic leadership style remains essential to foster open communication, value employee input, and foster collaboration. However, if participation is not balanced with clear direction, a clear division of roles, and swift operational decisions, its impact on performance will not always be strong, even if employees possess strong Positive Psychological Capital.

Furthermore, the insignificant moderating role of Positive Psychological Capital also indicates that democratic leadership has distinct characteristics from transformational leadership. Transformational leadership emphasizes inspiration, motivation, individual attention, and encouragement of self-development, thus better aligning with employees' positive psychological capacities. Meanwhile, democratic leadership emphasizes participation and communication. Therefore, Positive Psychological Capital in this study is more effective in strengthening the influence of transformational leadership than democratic leadership.

The results of this study indicate that developing Positive Psychological Capital remains important for employees, but it does not automatically strengthen all relationships between leadership style and performance. In the relationship between democratic leadership style and employee performance, other factors such as clarity of work structure, communication effectiveness, leadership assertiveness, and decision-making mechanisms can further determine the success of democratic leadership implementation. Therefore, the role of Positive Psychological Capital as a moderating variable is contextual and not always significant across all leadership styles.

These findings align with the view that the influence of participative or democratic leadership styles on performance can be influenced by organizational conditions, job characteristics, and decision-making systems. In organizations that require high levels of flexibility and collaboration, democratic leadership can have a powerful impact. However, in manufacturing organizations with strict workflows and consistently achieving production targets, democratic leadership needs to be implemented in a proportionate manner to avoid compromising work effectiveness.

Thus, the rejection of the sixth hypothesis indicates that Positive Psychological Capital has not been able to strengthen the influence of the democratic leadership style on employee performance at PT Sayung Adhimukti. Nevertheless, the democratic leadership style remains

relevant as a supporting approach to building communication, participation, and cooperation. However, its implementation needs to be combined with firm direction, clear procedures, and rapid decision-making to support more effective employee performance.

Based on these results, the management of PT Sayung Adhimukti needs to continue developing employees' Positive Psychological Capital by strengthening self-efficacy, hope, optimism, and resilience. However, this development should be more directed at supporting a transformational leadership style, as research results show that Positive Psychological Capital has been proven significant in strengthening the influence of transformational leadership on employee performance. Meanwhile, in implementing a democratic leadership style, the company needs to emphasize participatory management, effective communication, and decisive operational decisions to ensure work processes continue to run according to company targets and standards.

3.8. Research Model Findings and Recommendations

Based on the test results using SEM-PLS as presented in Appendix 3, this study found that each leadership style has a different strength and direction of influence on employee performance at PT Sayung Adhimukti. The test results show that the transactional leadership style has a positive direction of influence, but is not significant on employee performance. The transformational leadership style is proven to have a positive and significant influence on employee performance. Meanwhile, the democratic leadership style has a significant influence on employee performance, but the direction of the coefficient is negative or opposite to the initial hypothesis which states a positive influence. In addition, Positive Psychological Capital is only proven to positively and significantly moderate the effect of transformational leadership style on employee performance, while the transactional and democratic leadership styles are not proven to be significant moderating variables.

Empirically, transformational leadership style is the main finding in this study. This is indicated by the Original Sample value of 0.762, the T-statistic value of 9.473, and the P-value of 0.000. These values indicate that transformational leadership style is the variable with the strongest direct influence on employee performance. Thus, improving employee performance at PT Sayung Adhimukti is more appropriately directed at strengthening the transformational leadership style because this style has been proven to provide the greatest and most significant influence empirically.

The strength of the transformational leadership style is also reinforced by the results of the moderation test. The interaction between Positive Psychological Capital and transformational leadership style has an Original Sample value of 0.189, a T-statistic of 2.066, and a P-value of 0.019. These results indicate that Positive Psychological Capital can strengthen the influence of transformational leadership style on employee performance. This means that employees

who have high self-efficacy, hope, optimism, and resilience will be better able to respond to motivation, inspiration, individual attention, and creative encouragement from transformational leaders to become productive work behaviors.

Based on valid indicators, a transformational leadership style is reflected in the leader's ability to pay attention to employees, provide guidance as needed, encourage employees to find new ways to complete their work, accept new ideas, provide opportunities to find the best solutions, provide motivation, convey a clear work vision, and serve as a role model in working. These indicators show that a transformational leadership style has a broader character than simply providing work instructions. This style not only directs employees to work, but also builds motivation, self-confidence, creativity, and employee readiness to face job demands.

4. Conclusion

Based on the results of data analysis and discussion regarding the influence of transactional leadership style, transformational leadership style, and democratic leadership style on employee performance moderated by Positive psychological capital at PT Sayung Adhimukti, the following conclusions can be drawn.

1. Transactional leadership style does not have a positive and significant impact on employee performance at PT Sayung Adhimukti. This indicates that the implementation of leadership that emphasizes a reward system, supervision, and corrective action has not been able to significantly improve employee performance. Therefore, increasing or decreasing transactional leadership style does not result in significant changes in employee performance.
2. Transformational leadership has a positive and significant impact on employee performance at PT Sayung Adhimukti. The better the implementation of transformational leadership, through motivation, a clear vision, attention to employee development, and encouragement of creative thinking, the higher the employee's performance in carrying out their duties and responsibilities.
3. Democratic leadership has a positive and significant impact on employee performance at PT Sayung Adhimukti. Employee involvement in decision-making, two-way communication, empowerment, and support for collaboration have been shown to increase motivation, responsibility, and work productivity, thus improving employee performance.
4. *Positive psychological capital* unable to moderate the influence of transactional leadership style on employee performance. Employees' levels of self-efficacy, hope,

optimism, and resilience neither strengthen nor weaken the relationship between transactional leadership style and employee performance.

5. *Positive psychological capital* able to moderate the influence of transformational leadership style on employee performance. This finding indicates that the higher the positive psychological capital an employee possesses, the stronger the influence of transformational leadership style in improving employee performance. Positive psychological capital can strengthen the effectiveness of transformational leadership by increasing self-confidence, optimism, hope, and adaptability to various work challenges.
6. *Positive psychological capital* was unable to moderate the influence of democratic leadership style on employee performance. This indicates that the effectiveness of democratic leadership style in improving performance is more influenced by the quality of communication, participation, and working relationships built by leaders than by the positive psychological state of employees.

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