

Analyzing the Effect of Competence and Servant Leadership on Employee Performance Through Motivation

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ABSTRACT: This study investigates the influence of competence and servant leadership on employee performance, with motivation acting as a mediating variable. Anchored in Goal Setting Theory and Social Motivation Theory, the research examines how internal capabilities and leadership behavior shape performance outcomes in a public utility organization. The empirical context is Perumda Air Minum Panca Mahottama in Klungkung Regency, Bali, which has shown persistently low performance ratings despite increased internal training efforts. Using a quantitative explanatory approach, data were collected from 174 employees through structured questionnaires and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results reveal that both competence and servant leadership significantly enhance employee performance, directly and indirectly through motivation. Motivation serves as a psychological mechanism linking individual potential and leadership behavior to performance. These findings offer theoretical insights into HRM practices in the public sector and provide practical implications for improving employee outcomes in service-oriented enterprises aligned with Sustainable Development Goals (SDGs).

KEYWORDS: Competence, Servant Leadership, Motivation, Employee Performance

I. INTRODUCTION

Clean water services, as part of the Sustainable Development Goals (SDGs), position the drinking water supply sector as a key pillar in ensuring public welfare (Abiddin, 2024). In this context, the role of human resources (HR) becomes crucial to guarantee optimal public service delivery. Employee performance, as a primary indicator of organizational success, is influenced by various internal and external factors, including competence, leadership style, and work motivation (Afsar & Umrani, 2020). Competence reflects employees' technical and behavioral capabilities, while servant leadership emphasizes service-oriented and empowering leadership (Dilianto & Tjahjaningsih, 2025). Meanwhile, motivation functions as a catalyst that links individual capacity and leadership behavior with organizational outcomes (Andriansyah et al., 2024).

When looking at how competency and servant leadership influence employee performance, however, previous research has produced conflicting results. For example, studies show that motivation plays a mediating effect between competence and performance (Eva et al., 2019; Fadhil & Effendi, 2024). On the other hand, research by Norawati et al. (2023) and Jnaneswar & Ranjit (2020) suggests that motivation does not significantly impact employee performance. These contradictory findings cast doubt on the ability of public sector organisations to implement effective plans for human resource development (Nurfaizi, 2022).

The purpose of this study is to fill a knowledge vacuum by investigating the connections between competence, servant leadership, motivation, and employee performance at Perumda Air Minum Panca Mahottama in Klungkung Regency. This water utility in Bali has had the worst performance ratings for the last four years. There may be systemic problems with human capital development if, despite a marked uptick in internal training initiatives, performance evaluations have not improved (Pradhan & Jena, 2019).

Improving the efficiency of human resource management in BUMD is a top priority, especially for those organisations tasked with providing vital public services and meeting SDGs objective 6 (Sanitation and Clean Water). The study's results will hopefully guide the industry towards more evidence-based methods of leadership and staff development. By using theories of goal setting and social motivation to the empirical assessment of motivation's mediating role, this study adds to the growing body of literature on public HR management. In terms of how Perumda and other organisations like it may put these principles of competence and servant leadership into practice, the report offers specific suggestions for how to enhance staff performance.

Analyzing the Effect of Competence and Servant Leadership on Employee Performance Through Motivation

Using a quantitative approach, this study tests the mediating role of motivation within the multidimensional relationships among competence, servant leadership, and employee performance. Its contextual focus is on the public water utility sector, which is directly impacted by the implementation of the SDGs. Overall, it is a novel study. So, this study's overarching goal is to dissect the relationship between motivation as a mediator between competency and servant leadership and employee performance at Perumda Air Minum Panca Mahottama in Klungkung Regency.

II. LITERATURE REVIEW

A. Goal Setting Theory

Employees are more motivated and produce better results when given clear and difficult objectives and regular, constructive criticism, according to the Goal Setting Theory. According to the theory, there are five main components: task complexity, clarity, commitment, challenge, and feedback (Afsar & Umrani, 2020). According to Amankwah-Amoah et al. (2021), these factors help individuals stay focused and motivated by providing a framework for how their goals might be aligned with those of the organisation. Based on previous research (Dilianto & Tjahjaningsih, 2025; Abiddin, 2024), this study posits that competent and servant leadership play a key role in influencing employees' motivation and performance by helping to establish clear and relevant goals.

B. Social Motivation Theory

According to Social Motivation Theory, three fundamental social needs—achievement, affiliation, and power influence individual motivation. Needs for affiliation promote peaceful relationships, need for power include the desire to influence others, and need for achievement drives individuals to excel (Yusuf, 2024; Riyantisa, 2023). According to research by Usman et al. (2024), Norawati et al. (2023), and Dilianto and Tjahjaningsih (2025), servant leadership which prioritises empathy, support, and empowerment can amplify these societal motives. In a similar vein, competence allows people to satisfy their demand for achievement (Abiddin, 2024). This theory lends credence to the idea that both internal (competence) and external (leadership) elements impact performance via the psychological mechanism of motivation (Afsar & Umrani, 2020; Eva et al., 2019).

C. Employee Performance

When we talk about how well workers do their jobs, we're referring to their performance. It covers a lot of ground, including dedication, punctuality, quantity, quality, and efficacy (Riyantisa, 2023; Yusuf, 2024). Every step of the way, not just the ultimate result, is a part of performance (Fadhil & Effendi, 2024). Afsar and Umrani (2020) and Norawati et al. (2023) found that motivation is a crucial factor in connecting individual competency and leadership to organisational outcomes. Ability and opportunity both play a part in this. Competence and leadership have an impact on performance in this study, both directly and indirectly (Dilianto & Tjahjaningsih, 2025).

D. Motivation

A person's intrinsic urge to act in a way that advances the achievement of their goals is known as motivation. It can be either extrinsic, prompted by outside factors like praise or praises, or intrinsic, stemming from inside the person. Motivated workers are more likely to go above and above, stay focused, and come up with innovative solutions to problems (Saira et al., 2021). Giving workers objectives that are both attainable and difficult boosts their motivation, according to the Goal Setting Theory (Afsar & Umrani, 2020). The idea that servant leadership and other forms of supportive environments can inspire followers to be more self-motivated is supported by social motivation theory (Dilianto & Tjahjaningsih, 2025; Usman et al., 2024; Norawati et al., 2023).

E. Competence

When workers have the information, technical abilities, and personal qualities necessary to do their jobs well, we say that they are competent. According to Abiddin (2024), this includes both the theoretical and practical abilities that are necessary to do the job well and adjust to changes in the workplace. Employees that are competent tend to be more engaged and productive because they are self-assured and know they can handle difficult situations (Yusuf, 2024). Competence is foundational for organisational learning and innovation, and it is also vital for accomplishing task goals from a strategic HR viewpoint (Fadhil & Effendi, 2024). Therefore, it becomes an essential part of human capital that helps the organisation reach its larger objectives. Competence is a key factor in developing employee motivation, and it also has an impact on performance directly. Employees' intrinsic motivation and dedication to organisational goals are enhanced when they regard themselves as competent, leading to a better sense of autonomy and self-efficacy (Afsar & Umrani, 2020). Riyantisa (2023) and Dilianto and Tjahjaningsih (2025) are two of several empirical investigations that have shown that competence influences performance in two ways: directly and indirectly through motivational mechanisms. Organisations, particularly those in the service industry, where staff performance affects public

Analyzing the Effect of Competence and Servant Leadership on Employee Performance Through Motivation

happiness and institutional legitimacy, would do well to implement continuous competency development programs in light of this two-pronged approach.

F. Servant Leadership

The leadership style known as servant leadership places a great emphasis on characteristics like empathy, listening, humility, stewardship, and dedication to the advancement of employees. It is people-centered and characterised by a strong desire to serve others before oneself (Eva et al., 2019). According to Dilianto and Tjahjaningsih (2025) and Usman et al. (2024), this method creates a supportive workplace that encourages employees to trust one another, work together, and feel safe emotionally. According to Norawati et al. (2023), when workers' fundamental psychological needs like autonomy, relatedness, and competence are met in such workplaces, it boosts their intrinsic motivation and increases their engagement with work. Findings show that contextual factors like organisational culture, employee readiness, and task nature determine the variability in its effectiveness, although numerous studies support the positive influence of servant leadership on motivation and performance (Fadhil & Effendi, 2024; Jnaneswar & Ranjit, 2020). Based on these contradictory findings, it seems that servant leadership can be a powerful force for change, but it works best when tailored to the specifics of each company and its employees.

G. The Mediating Role of Motivation

Motivation frequently functions as a mediating variable in human resource management research, linking leadership and competence to performance outcomes. Empirical studies have shown that motivation partially mediates the relationship between competence and performance, as well as between leadership and performance, indicating that improvements in these factors tend to yield stronger effects when employees are intrinsically or extrinsically motivated (Afsar & Umrani, 2020; Dilianto & Tjahjaningsih, 2025; Norawati et al., 2023). This mediating role is supported by evidence suggesting that servant leadership enhances psychological needs satisfaction, while competence fosters self-efficacy both of which increase motivation and subsequently improve job outcomes (Usman et al., 2024; Yusuf, 2024). Nevertheless, inconsistent findings in prior research emphasize the need to test this mediation effect in varied organizational settings, particularly within regional public enterprises where structural, cultural, and resource-related dynamics may influence the strength and direction of these relationships (Fadhil & Effendi, 2024; Jnaneswar & Ranjit, 2020).

III. HYPOTHESES DEVELOPMENT

A. The Effect of Competence on Motivation

Employee competence refers to the mastery of knowledge, skills, and attitudes required to complete job tasks effectively. It enhances self-efficacy and strengthens employees' confidence in their ability to achieve work goals, which in turn fosters higher levels of motivation (Yusuf, 2024; Abiddin, 2024). According to Goal Setting Theory, individuals who perceive themselves as competent are more likely to be motivated to pursue challenging and meaningful goals, especially when they have clarity and autonomy in their tasks (Afsar & Umrani, 2020). Competent employees tend to feel more capable of meeting expectations, which leads to increased enthusiasm, persistence, and engagement (Fadhil & Effendi, 2024). Empirical findings support the notion that competence has a significant positive influence on both intrinsic and extrinsic motivation (Riyantisa, 2023; Dilianto & Tjahjaningsih, 2025). Therefore, the following hypothesis is proposed:

H1: Competence has a positive effect on employee motivation.

B. The Effect of Servant Leadership on Motivation

Servant leadership, with its emphasis on empathy, support, and employee development, creates an empowering and psychologically safe work environment. This leadership style fulfills employees' social and emotional needs, which aligns with the core assumptions of Social Motivation Theory that behaviors satisfying needs for achievement, affiliation, and power contribute significantly to increased motivation (Usman et al., 2024; Norawati et al., 2023). Servant leaders support goal clarity, provide meaningful feedback, and foster a sense of belonging, all of which enhance intrinsic motivation among employees (Eva et al., 2019; Dilianto & Tjahjaningsih, 2025). Furthermore, empirical studies show that when employees feel genuinely supported and valued by their leaders, they are more likely to engage in their work with enthusiasm and commitment (Afsar & Umrani, 2020; Fadhil & Effendi, 2024). Based on this evidence, the second hypothesis is proposed:

H2: Servant leadership has a positive effect on employee motivation.

C. The Effect of Competence on Employee Performance

Competent employees are more capable of completing tasks efficiently and are better positioned to deliver high-quality results. Their strong problem-solving abilities, adaptability to changing work conditions, and professional confidence contribute

Analyzing the Effect of Competence and Servant Leadership on Employee Performance Through Motivation

directly to enhanced individual performance (Yusuf, 2024; Abiddin, 2024). These attributes not only support operational effectiveness but also improve task accuracy and consistency in meeting organizational goals (Fadhil & Effendi, 2024). Empirical studies have consistently confirmed a significant positive relationship between competence and employee performance across various work settings, including public and service-oriented sectors (Riyantisa, 2023; Dilianto & Tjahjaningsih, 2025). Based on these arguments and findings, the following hypothesis is formulated:

H3: Competence has a positive effect on employee performance.

D. The Effect of Servant Leadership on Employee Performance

Servant leaders empower and develop their employees by demonstrating empathy, providing support, and fostering personal and professional growth. These behaviors lead to increased job satisfaction, engagement, and ultimately, improved employee performance (Eva et al., 2019; Usman et al., 2024). By fulfilling employees' emotional and developmental needs, servant leaders help establish a work environment characterized by trust, collaboration, and psychological safety key conditions that support high levels of performance (Dilianto & Tjahjaningsih, 2025; Norawati et al., 2023). Empirical findings indicate that servant leadership has a significant and positive effect on employee performance across various organizational contexts, including public service sectors (Fadhil & Effendi, 2024). Thus, the following hypothesis is proposed:

H4: Servant leadership has a positive effect on employee performance.

E. The Effect of Motivation on Employee Performance

Motivated employees are generally more engaged, persistent, and goal-oriented—traits that are critical to achieving high levels of job performance. Both Goal Setting Theory and Social Motivation Theory emphasize the role of motivation as a central driver of individual behavior and performance in organizational settings (Afsar & Umrani, 2020; Usman et al., 2024). When employees are intrinsically or extrinsically motivated, they are more likely to demonstrate initiative, resilience, and a commitment to organizational goals (Nurfaizi, 2022; Saira et al., 2021). Empirical studies have consistently shown that motivation significantly influences employee performance by enhancing work quality, efficiency, and overall effectiveness (Riyantisa, 2023; Norawati et al., 2023). Therefore, the hypothesis is:

H5: Motivation has a positive effect on employee performance.

F. The Mediating Role of Motivation in the Relationship Between Competence and Employee Performance

While competence directly influences employee performance, it may also exert an indirect effect through motivation. Competent individuals tend to feel more confident, engaged, and capable of achieving their work goals, which enhances their intrinsic motivation and leads to improved performance outcomes (Yusuf, 2024; Fadhil & Effendi, 2024). This mediating mechanism is supported by Goal Setting Theory, which posits that individuals with higher competence are more committed to challenging goals and exhibit stronger motivational drives to accomplish them (Afsar & Umrani, 2020). Empirical evidence has also shown that competence significantly enhances motivation, which in turn contributes to better work quality, timeliness, and overall job success (Riyantisa, 2023; Dilianto & Tjahjaningsih, 2025). Therefore, the following hypothesis is proposed:

H6: Motivation mediates the effect of competence on employee performance.

G. The Mediating Role of Motivation in the Relationship Between Servant Leadership and Employee Performance

Servant leadership promotes a supportive and empowering environment that enhances employee motivation, which in turn positively influences performance. According to Social Motivation Theory, leaders who fulfill employees' social needs such as affiliation, empowerment, and growth are more likely to stimulate motivation that drives goal-oriented behavior (Usman et al., 2024; Norawati et al., 2023). By providing emotional support and development opportunities, servant leaders create conditions that foster intrinsic motivation, engagement, and persistence in task execution (Eva et al., 2019; Dilianto & Tjahjaningsih, 2025). Empirical research has confirmed that motivation mediates the relationship between servant leadership and performance by translating supportive leadership behaviors into improved employee outcomes (Afsar & Umrani, 2020; Fadhil & Effendi, 2024). Therefore, the hypothesis is:

H7: Motivation mediates the effect of servant leadership on employee performance.

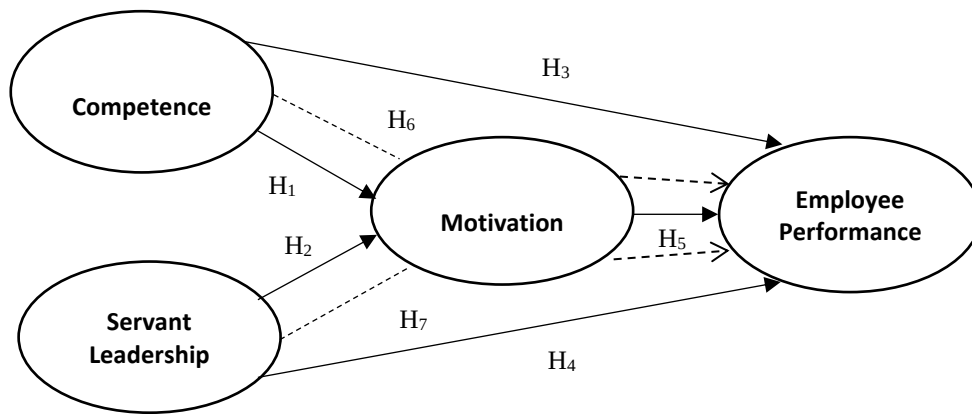


Figure 1. Research Conceptual Framework

IV. METHODOLOGY

This research adopted a quantitative explanatory design aimed at testing the direct and indirect effects of competence and servant leadership on employee performance, mediated by motivation. The study was conducted at Perumda Air Minum Panca Mahottama, a regional drinking water company in Klungkung Regency, Bali Province. The research population consisted of all employees as of January 2, 2025, totaling 174 individuals, excluding the Director and the Board of Supervisors. Due to the manageable size of the population, a census sampling technique was employed, in which all eligible employees were included as research respondents.

Primary data were obtained using a structured questionnaire developed based on previously validated scales. All items were measured using a five-point Likert scale ranging from 1 ("strongly disagree") to 5 ("strongly agree"). Prior to full data collection, the instrument underwent validity and reliability testing using a pilot sample of 39 respondents. Validity was confirmed through convergent validity (outer loading values > 0.7), discriminant validity (cross-loading analysis), and Average Variance Extracted (AVE) values above 0.5. Reliability was verified using Cronbach's alpha and composite reliability, both of which exceeded the 0.7 threshold, confirming strong internal consistency. The data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with the help of SmartPLS software. The analytical process included evaluation of the measurement model (for validity and reliability), the structural model (for hypothesis testing via path coefficients and T-statistics), and mediation analysis using the Variance Accounted For (VAF) method. The model's goodness of fit was assessed using SRMR (Standardized Root Mean Square Residual) values, with a cutoff of less than 0.08, along with R^2 and Q^2 values to determine explanatory and predictive power (Sarstedt et al., 2021).

The variables used in this study are defined as follows. Competence is defined as the employee's ability, encompassing knowledge, skills, and attitudes, to effectively perform job tasks. Operationally, competence was measured using indicators such as technical expertise, problem-solving ability, and adaptability. Servant leadership refers to a leadership approach in which leaders prioritize the needs of their employees, focusing on empathy, ethical behavior, and personal development. It was measured through indicators including emotional support, empowerment, and commitment to employee growth. Motivation is defined as the internal drive that influences an employee's behavior toward achieving work-related goals. Motivation was measured through aspects of intrinsic motivation (such as sense of purpose) and extrinsic motivation (such as recognition and reward). Employee performance refers to the output and effectiveness of employee work, which was measured through indicators including work quality, quantity, timeliness, and commitment. Data collection was carried out from January to February 2025. The findings from this analysis are expected to provide insight into the mechanisms through which individual competence and leadership behavior influence performance outcomes, particularly within the context of public sector service delivery in line with Sustainable Development Goals (SDGs) targets.

V. RESEARCH RESULT AND DISCUSSION

A. Result

The study involved 174 employees of Perumda Air Minum Panca Mahottama in Klungkung Regency. The demographic profile showed that the majority were male (75.3%), aged over 39 years (26.4%), with most holding a senior high school education (48.9%) and working for less than 3 years (35.1%), indicating a workforce with varied backgrounds and experience levels. The descriptive analysis showed that the competence variable scored an average mean of 4.17, categorized as "good." Among its dimensions, attitude scored the highest (mean = 4.35), suggesting that employees generally showed a strong sense of pride and commitment toward their job. The servant leadership variable had a mean of 3.90, with the agape love dimension being the most dominant

Analyzing the Effect of Competence and Servant Leadership on Employee Performance Through Motivation

(mean = 3.93), implying that leadership at the institution emphasized empathy and concern for employee well-being. Motivation recorded the highest mean among all variables at 4.22, with the belonging dimension (mean = 4.32) emerging as the strongest factor, reflecting the importance of social connection and collaboration in driving employees' internal drive. Meanwhile, employee performance received an overall mean score of 4.13, with commitment (mean = 4.26) standing out as the most influential aspect, demonstrating that employees were highly engaged and willing to contribute meaningfully to the organization.

Table 1. Model Fit Evaluation

Structural Model	Endogenous Variable	R-square
1	Motivation (Y ₁)	0.719
2	Employee Performance (Y ₂)	0.784
Calculation:		
$Q^2 = (1 - [(1 - R^2_1) (1 - R^2_2)])$		
$Q^2 = (1 - [(1 - 0,719) (1 - 0,784)])$		
$Q^2 = 1 - 0,060696 = 0,939$		

Source: Data Processing (2025)

The outer model analysis confirmed the reliability and validity of the measurement instruments. All indicator loadings exceeded the threshold of 0.7, composite reliability values ranged between 0.924 and 0.968, and the Average Variance Extracted (AVE) for each construct exceeded 0.80, confirming convergent validity. The square roots of AVE values for each construct were greater than the correlations with other constructs, indicating strong discriminant validity. Furthermore, the structural model demonstrated strong explanatory power, with R² values of 0.719 for motivation and 0.784 for employee performance. The Q² value of 0.939 indicated that the model had high predictive relevance.

Table 2. Hypothesis Testing Results

Path	Path Coefficient (β)	T-Statistic	Result
Competence → Motivation	0.701	10.987	Supported
Servant Leadership → Motivation	0.207	3.187	Supported
Competence → Employee Performance	0.253	2.655	Supported
Servant Leadership → Employee Performance	0.147	2.007	Supported
Motivation → Employee Performance	0.557	6.037	Supported
Competence → Motivation → Performance	0.391	5.130	Supported (Partial Mediation)
Servant Leadership → Motivation → Performance	0.116	2.769	Supported (Partial Mediation)

Source: Data Processing (2025)

The hypothesis testing results showed that all seven hypotheses were supported. First, competence had a positive and significant effect on motivation (β = 0.701, T-Statistic = 10.987), supporting H₁. Second, servant leadership also significantly influenced motivation (β = 0.207, T-Statistic = 3.187), validating H₂. Third, competence had a direct and significant effect on employee performance (β = 0.253, T-Statistic = 2.655), confirming H₃. Fourth, servant leadership significantly affected employee performance (β = 0.147, T = 2.007), supporting H₄. Fifth, motivation significantly influenced employee performance (β = 0.557, T-Statistic = 6.037), affirming H₅. Sixth, motivation was found to partially mediate the relationship between competence and employee performance, indicating that the effect of competence on performance becomes stronger when accompanied by high motivation (H₆ supported). Finally, motivation also partially mediated the effect of servant leadership on employee performance, showing that leadership behavior translates into improved outcomes through the enhancement of employee motivation (H₇ supported). These findings provide empirical evidence that motivation serves as a crucial psychological mechanism linking individual competence and leadership practices to tangible performance outcomes in the context of a public service institution.

Analyzing the Effect of Competence and Servant Leadership on Employee Performance Through Motivation

B. The Effect of Competence on Motivation

The results reveal a strong positive relationship between competence and motivation. Employees who are competent meaning they possess adequate knowledge, skills, and professional attitudes are more likely to feel confident in their ability to perform tasks effectively. This self-assurance fosters intrinsic motivation, proactive behavior, and a greater willingness to pursue and achieve challenging goals. These findings align with Goal Setting Theory, which argues that belief in one's capabilities enhances commitment to goal achievement and increases motivational intensity (Afsar & Umrani, 2020). Furthermore, competence enhances employees' sense of control and purpose at work, which contributes to increased work engagement and initiative (Yusuf, 2024; Abiddin, 2024). The present study affirms prior research suggesting that competence serves as a key internal driver of employee motivation, particularly in service-oriented or technical settings where mastery and confidence are closely linked to performance expectations (Fadhil & Effendi, 2024; Riyantisa, 2023). Therefore, strengthening employee competencies through structured development programs can be a strategic lever to enhance motivation and, ultimately, organizational effectiveness.

C. The Effect of Servant Leadership on Motivation

The study provides evidence that servant leadership significantly increases employee motivation. Leaders who demonstrate humility, empathy, and a genuine concern for employee development help foster a psychologically safe and supportive work environment where employees feel respected, empowered, and valued (Eva et al., 2019; Dilianto & Tjahjaningsih, 2025). This leadership style effectively fulfills employees' social needs for recognition, affiliation, and personal growth, as emphasized in Social Motivation Theory (Usman et al., 2024; Norawati et al., 2023). When employees feel heard and appreciated by their leaders, their intrinsic motivation to perform well and contribute meaningfully tends to increase. The study supports previous findings that servant leadership enhances psychological engagement and encourages personal development by reinforcing employees' sense of purpose and belonging within the organization (Afsar & Umrani, 2020; Fadhil & Effendi, 2024). Thus, organizations that adopt servant leadership practices are more likely to experience a motivated workforce with stronger commitment to achieving collective goals.

D. The Effect of Competence on Employee Performance

A direct and significant impact of competence on employee performance is also observed. Competent employees are able to work more efficiently, adapt to dynamic work environments, and meet performance targets with greater consistency. This result reinforces the idea that competence is not only essential for task execution but also plays a pivotal role in achieving broader performance indicators such as service quality, accuracy, timeliness, and reliability (Yusuf, 2024; Fadhil & Effendi, 2024). These findings are aligned with prior research that considers competence a key determinant of both the quantity and quality of employee output (Riyantisa, 2023; Abiddin, 2024). In the context of public service delivery particularly in water utility enterprises where technical operations are complex and performance is monitored by regulatory authorities having technically competent staff is critical to fulfilling service-level standards and maintaining public trust. Therefore, continuous investment in developing employee competence should be regarded as a strategic necessity for performance excellence (Riyantisa, 2023).

E. The Effect of Servant Leadership on Employee Performance

While smaller in magnitude than competence, servant leadership also exerts a significant positive influence on employee performance. This suggests that leadership grounded in service, empathy, and employee development can meaningfully shape employees' attitudes and behaviors at work. Servant leaders cultivate trust, psychological safety, and organizational commitment, which in turn lead to higher levels of job satisfaction and a greater willingness among employees to exceed routine responsibilities (Eva et al., 2019; Dilianto & Tjahjaningsih, 2025). These behaviors contribute to improved individual and team performance, as employees feel more empowered, respected, and connected to the organization's mission (Usman et al., 2024). This finding aligns with prior studies linking servant leadership to enhanced creativity, collaboration, and job effectiveness (Norawati et al., 2023; Fadhil & Effendi, 2024). Particularly in public-sector settings such as regional water utilities, where hierarchical bureaucracy may limit innovation, servant leadership offers a human-centered and transformative alternative to mobilize employee engagement and elevate service delivery outcomes.

F. The Effect of Motivation on Employee Performance

The study further demonstrates that motivation plays a powerful role in enhancing employee performance. Motivated employees exhibit higher persistence, greater initiative, and stronger focus in completing tasks effectively. This supports the theoretical assertion that motivation functions not merely as an internal psychological construct, but as a practical determinant of behavior and output within organizational settings (Afsar & Umrani, 2020; Usman et al., 2024). The findings echo previous studies that showed motivated employees are more likely to meet deadlines, demonstrate work discipline, and contribute innovative ideas that benefit the organization (Nurfaizi, 2022; Saira et al., 2021). Motivation serves as a bridge between internal resources such as

Analyzing the Effect of Competence and Servant Leadership on Employee Performance Through Motivation

competence and external behaviors such as job performance, reinforcing its role as a key driver in human resource strategy (Riyantisa, 2023; Norawati et al., 2023). As such, organizations must continuously cultivate both intrinsic and extrinsic motivators to maintain high performance standards, particularly in service-oriented and public institutions where employee engagement is essential.

G. Motivation as a Mediator Between Competence and Employee Performance

An important finding of this study is that motivation partially mediates the relationship between competence and employee performance. While competence directly enhances an employee's ability to complete tasks effectively, its impact is amplified when accompanied by high levels of motivation. This indicates that competence alone is insufficient for optimal performance; organizations must also create motivational environments that enable employees to activate and apply their skills (Yusuf, 2024; Abiddin, 2024). According to Goal Setting Theory, competence fosters goal clarity and belief in one's ability to succeed, but the actual realization of performance outcomes depends on whether employees are intrinsically or extrinsically motivated to act (Afsar & Umrani, 2020). This study supports earlier findings which confirm that motivation functions as a psychological mechanism linking employee capabilities to their behavioral outcomes (Riyantisa, 2023; Dilianto & Tjahjaningsih, 2025). Thus, human resource strategies should integrate both competence development and motivational reinforcement to optimize employee contributions.

H. Motivation as a Mediator Between Servant Leadership and Employee Performance

Motivation is also found to mediate the relationship between servant leadership and employee performance. The empowering, human-centered behaviors of servant leaders—such as empathy, support, and encouragement—significantly contribute to enhancing employee motivation, which subsequently improves performance outcomes (Eva et al., 2019; Usman et al., 2024). Servant leadership does not directly dictate task execution but indirectly drives performance by cultivating emotional engagement, trust, and a sense of meaningful work that resonates with employees' values and goals (Dilianto & Tjahjaningsih, 2025; Norawati et al., 2023). This finding aligns with Social Motivation Theory, which emphasizes the importance of leader-subordinate relationships in satisfying psychological needs for affiliation, recognition, and personal growth—factors that are instrumental in influencing work behavior (Afsar & Umrani, 2020). The mediation results reinforce the idea that leadership should not only aim to direct and control actions but also inspire intrinsic motivation and deep commitment among employees to produce sustained, high-quality performance.

VI. CONCLUSIONS

This study contributes to the growing body of knowledge on human resource management in the public sector by examining the influence of competence and servant leadership on employee performance, with motivation as a mediating variable. The findings confirm that both competence and servant leadership significantly enhance employee performance, both directly and indirectly through motivation. Competence emerged as a particularly strong predictor, affirming its foundational role in effective job performance. Servant leadership, while slightly weaker in direct influence, showed a valuable impact through its positive effect on employee motivation. Furthermore, motivation was found to be a significant mediator in both relationships, highlighting its central role in translating individual capabilities and leadership style into organizational outcomes. These findings underscore the importance of an integrated approach that considers employee competence, leadership quality, and motivational dynamics to improve performance, especially in public utility sectors facing increasing performance pressures.

This research offers empirical support for Goal Setting Theory and Social Motivation Theory by demonstrating that competence and servant leadership affect performance through motivational mechanisms. The findings validate the theoretical proposition that motivation is not only an outcome but also a behavioral pathway through which individual and contextual factors influence organizational performance. The study enriches the existing literature by integrating the internal (competence) and external (leadership) dimensions of employee performance in a single model.

For practitioners and policymakers, the results suggest that improving employee performance in regional public enterprises requires more than technical training or leadership development alone. Human resource managers should implement programs that simultaneously strengthen employee competence and cultivate servant-oriented leadership practices. Moreover, motivational strategies both intrinsic (purpose, autonomy) and extrinsic (recognition, incentives) should be embedded into organizational systems. These efforts will be particularly beneficial for entities like Perumda Air Minum, where performance outcomes are closely tied to public satisfaction and national development goals, such as those outlined in the SDGs.

Despite its contributions, this study has several limitations. First, it was conducted in a single public enterprise within a specific regional and cultural context, which may limit the generalizability of the findings. Future studies could include comparative analyses across multiple organizations or regions to enhance external validity. Second, the use of cross-sectional data prevents the establishment of causality among variables. Longitudinal studies are recommended to examine how changes in competence,

Analyzing the Effect of Competence and Servant Leadership on Employee Performance Through Motivation

leadership, and motivation evolve over time and influence performance trajectories. Additionally, this study focused solely on motivation as a mediating variable. Future research could explore other psychological or organizational mediators, such as job satisfaction, organizational commitment, or employee engagement, to obtain a more nuanced understanding of the performance-driving mechanisms. It would also be beneficial to examine the moderating role of factors such as organizational culture, gender, or tenure, which may influence how employees respond to competence development and leadership styles.

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