

# The Impact of Psychology, Leadership Style, and Sustainable Human Resources on Organizational Performance

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## Abstract

**Purpose:** This study aims to analyze the influence of transformational leadership, employee psychological well-being, and sustainable HR practices on organizational performance, as well as to examine the mediating role of sustainable HR practices in this relationship.

**Research Methodology:** The study used an explanatory quantitative approach with a survey method involving 224 permanent employees at a manufacturing company in Batam City. Data were collected through Google Forms and analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) with the help of the SmartPLS application.

**Results:** The results indicate that transformational leadership, psychological well-being, and sustainable HR practices have a positive and significant effect on organizational performance. Sustainable HR practices also mediate the relationship between transformational leadership and organizational performance, as well as between psychological well-being and organizational performance.

**Conclusions:** The findings indicate that transformational leadership, employee psychological well-being, and sustainable HR practices significantly influence organizational performance, with sustainable HR practices also acting as a mediating variable that strengthens the relationship between leadership and psychological factors toward organizational outcomes, resulting in a comprehensive model explaining their simultaneous effects.

**Limitations:** This study is limited to one manufacturing company in Batam City and uses a cross-sectional design, so it does not capture changes in variables longitudinally.

**Contributions:** Theoretically, this study enriches the literature on sustainable HR practices as a mediating mechanism that links transformational leadership and psychological well-being to organizational performance. Practically, the results of this study provide recommendations for management in designing sustainable work systems to improve organizational competitiveness.

**Keywords:** *Leadership Style, Manufacturing, Organizational Performance, Psychology*

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## 1. Introduction

Over the past ten years, the world of work has undergone major changes due to advances in digital technology, globalization of the workforce, and economic recovery after the COVID-19 pandemic. These changes mean that organizations are not only required to achieve high productivity, but also to

maintain the well-being of their employees in order to survive in the long term. Data from BPS in 2023 shows that 43.2% of formal workers in the industrial sector feel high work pressure due to an unbalanced workload and a lack of organizational support. These findings confirm that the psychological well-being of employees is an important issue that needs to be studied in greater depth.

Attention to employee welfare has increased along with the development of the concept of employee engagement in modern management literature. Employee engagement is an important element for improving organizational performance and stability ([Dixit & Narendran, 2019](#); [Syawal, Saluy, & Kemalasari, 2023](#)). The high level of public interest in this issue is also evident from Google Trends data, which shows an increase of more than 60% in searches for topics related to employee engagement in Indonesia during the period 2021–2024 ([Mathushan, Gamage, Nanthagopan, & Kengatharan, 2025](#)). This increase reflects the growing attention of the public and organizations to the importance of employee engagement as a determining factor in productivity and work success. Furthermore, research by [Kyambade, Namuddu, Mugambwa, Tushabe, and Namatovu \(2023\)](#) proves that a psychologically supportive work environment can reduce employees' desire to quit and increase their commitment and work quality.

In the context of leadership, transformational leadership style is increasingly discussed because it is considered capable of inspiring and empowering employees. A 45% increase in global searches for transformational leadership during 2021–2024 shows growing organizational awareness of the importance of leaders who can drive innovation and work motivation ([Yu & Xiang, 2024](#)). Another study by [Mamahit and Ardi \(2025\)](#) confirms that transformational leadership can increase employees' intrinsic motivation, thereby impacting loyalty and performance. Meanwhile, research by [Fitriati and Marsanty \(2023\)](#) found that culture-based transformational leaders such as Bapa Raja in Maluku succeeded in strengthening organizational resilience in the face of crises, especially during the COVID-19 pandemic.

Although many studies have discussed leadership, psychological well-being, and organizational performance, most previous studies have examined these variables separately. Only a few studies have integrated these three variables into a single research framework, particularly in organizations that are adapting to post-pandemic digital transformation ([Cardoso, Figueiredo, Oliveira, & Pocinho, 2025](#); [Sephianingrum & Ulfatun, 2024](#)). Previous studies generally only assess the direct relationship between variables without considering the role of sustainable HR practices as factors that can strengthen or mediate these relationships. This condition indicates an important research gap that needs to be filled.

Sustainable HR practices are becoming an increasingly relevant aspect of modern organizational management. Continuous training, inclusive policies, and work-life balance are HR practices that can improve leadership effectiveness in driving organizational performance ([Bello, Tula, Omotoye, Kess-Momoh, & Daraojimba, 2024](#); [Prayogi & Annisa, 2023](#)). In fact, manufacturing companies that implement sustainable HR practices are able to significantly increase productivity and reduce turnover rates ([Chernyak-Hai, Schmidt-Barad, & Kim, 2024](#)). These practices help organizations retain high-performing employees while creating a stable, efficient work environment that supports long-term operational sustainability.

These findings suggest that sustainable HR practices have the potential to be an important mediator linking transformational leadership, psychological well-being, and organizational performance ([Chomać-Pierzecka, Dyrka, Kokieli, & Urbańczyk, 2024](#); [Farmanesh, Mostepaniuk, Khoshkar, & Alhamdan, 2023](#)). Based on these developments, this study aims to fill the research gap by integrating three key variables transformational leadership, psychological well-being, and sustainable HR practices on organizational performance into a comprehensive mediation model. Theoretically, this study is expected to enrich HR management studies, especially in the context of organizations undergoing digital transformation. Practically, this study provides a basis for managers in designing adaptive and sustainable work systems to enhance organizational competitiveness in the future.

## 2. Literature review and hypothesis development

### 2.1 Sustainable Human Resource Management (SHRM)

Transformational leadership focuses on empowering employees through inspiration, motivation, and personal attention, as well as being able to shape a productive work culture and encourage value change within the organization ([Mamahit & Ardi, 2025](#)). Transformational leaders encourage innovation through an approach that inspires and empowers subordinates. This leadership style allows employees to improve their ideas, creativity, and participation in the work process so that the organization becomes more adaptive and progressive in facing various changes in the operational environment ([Ambalele & Tellu, 2023](#)).

Psychological well-being is influenced by a supportive leadership style, which helps strengthen resilience, intrinsic motivation, and a sense of belonging to the organization so that employees are able to work more stably, be committed, and fulfill role demands on an ongoing basis ([Hutami, Supardin, Cahyaning, Maharani, & Pratama, 2024](#)). Psychological well-being is also positively associated with improved performance, especially in creativity- and collaboration-based work environments ([Laura & Meidina, 2022](#)). Empirical research also shows the effectiveness of transformational leadership, where the transformational leadership of the King of Maluku was able to create social cohesion and organizational resilience during the COVID-19 crisis ([Fitriati & Marsanty, 2023](#)). Furthermore, transformational leadership has been proven to influence perceptions of job stability and organizational engagement ([Gunawan & Marthalia, 2025](#)).

*H<sub>1</sub>*: Transformational leadership style affects organizational performance

### 2.2 Transformational Leadership

Transformational leadership is oriented towards empowering employees through inspiration, motivation, and personal attention, whereby this leadership style is capable of shaping a productive work culture and encouraging value change within the organization ([Mamahit & Ardi, 2025](#)). Transformational leaders also encourage innovation through an approach that inspires and empowers subordinates ([Ambalele & Tellu, 2023](#)). Psychological well-being is influenced by a supportive leadership style, including resilience, intrinsic motivation, and a sense of belonging to the organization ([Hutami et al., 2024](#)). Psychological well-being is also positively associated with improved performance, especially in creativity- and collaboration-based work environments ([Laura & Meidina, 2022](#)).

Empirical research also supports the effectiveness of transformational leadership, such as the finding that the transformational leadership of Bapa Raja in Maluku was able to create social cohesion and organizational resilience during the COVID-19 crisis ([Fitriati & Marsanty, 2023](#)). In addition, transformational leadership has been proven to influence perceptions of job stability and organizational involvement ([Gunawan & Marthalia, 2025](#)). Indirectly, transformational leadership also affects performance through mediating variables, such as job satisfaction and human resource management systems among flight crews ([Wahyoedi & Tecoalu, 2024](#); [Yusuf, Wanasida, & Meilani, 2024](#)).

*H<sub>2</sub>*: Employee psychology influences organizational performance

### 2.3 Employee Psychological Well-being

Work psychology emphasizes the role of employees' mental and emotional aspects in influencing their contribution to the organization, where psychological conditions are an important factor in determining work productivity ([Kadir et al., 2025](#)). Psychological well-being also impacts cooperation and creativity, with findings showing that healthy psychological conditions can increase teamwork effectiveness ([Halim, Susianah, Gunawan, Mansyur, & Tirtawana, 2024](#)). Intrinsic motivation and resilience are important parts of psychological well-being, and these two aspects directly contribute to how employees assess, respond to, and carry out their roles within the organization.

Employees with high levels of intrinsic motivation tend to show a strong internal drive to work, not because of external pressure, but because of a sense of satisfaction, pride, and meaning in the tasks they perform. Resilience, as another component, makes employees better able to cope with pressure, adapt to change, and bounce back from difficult situations. When intrinsic motivation and resilience are at a

good level, they form stable and deep psychological well-being. Under such conditions, employees show stronger commitment to the organization, both in terms of loyalty, active participation, and willingness to engage in the work process on an ongoing basis ([Gunawan & Marthalia, 2025](#)). The urgency of psychological well-being is also confirmed by national data, which shows that 43.2% of formal workers in the industrial sector experience high work pressure.

This stress arises from an imbalance in workload and a lack of organizational support, demonstrating that psychological aspects cannot be separated from the operational conditions of a company. These findings show that psychological pressure is not only an individual problem, but also a structural issue that affects organizational productivity and stability. In addition, positive psychology influences work engagement and productivity. Employees who experience positive emotions, feel psychologically secure, and have an optimistic outlook on work tend to be more engaged in the work process and produce better output. Thus, these findings reinforce that psychological well-being is an important foundation in creating a healthy and productive work environment ([Kyambade et al., 2023](#)).

*H<sub>3</sub>: Sustainable HR practices influence organizational performance*

#### ***2.4 The Influence of Transformational Leadership on Sustainable HR Practices***

Transformational leadership plays an important role in shaping sustainable HR systems in organizations because leaders with this style are able to provide inspiration, motivation, and clear direction to employees. When leaders demonstrate a strong vision and attention to individual development, sustainable HR practices become more effective to implement ([Prayogi & Annisa, 2023](#)). Transformational leaders not only emphasize the achievement of short-term goals, but also ensure that the HR management process is aligned with the long-term needs of the organization. In addition, the implementation of sustainable HR can be strengthened through a collaborative and adaptive leadership style.

Leaders who are able to adapt to changing situations, work with various parties, and listen to employee aspirations will be more successful in promoting the implementation of sustainable HR policies ([Chernyak-Hai et al., 2024](#)). In this context, leaders act as facilitators who ensure that every HR policy is not only well designed, but also accepted and implemented consistently by all members of the organization. Thus, transformational leadership becomes a strategic factor that is expected to strengthen sustainable HR practices because it is able to create a work environment that supports employee development while maintaining the sustainability of the organization's work system.

*H<sub>4</sub>: Transformational leadership influences sustainable HR practices*

#### ***2.5 The Influence of Psychological Well-being on Sustainable HR Practices***

Psychological well-being plays an important role in the effective implementation of sustainable HR practices, where positive psychological conditions increase employee participation in training and career development ([Kyambade et al., 2023](#)). When employees are in a stable and healthy mental state, they tend to be more motivated to participate in self-development programs and play an active role in strengthening their work competencies. Employees with good psychological well-being are also better able to adapt to change and show greater involvement in the continuous learning process that is part of modern HR practices. In addition, employees with high levels of psychological well-being are better able to support the implementation of long-term HR policies designed by the organization.

They not only follow policies, but also encourage the creation of a work culture that supports sustainability and continuous improvement in the HR management process ([Gunawan & Marthalia, 2025](#)). Positive psychological conditions enable employees to contribute consistently to the implementation of HR strategies that require long-term commitment and active participation. These findings indicate a strong correlation between psychological well-being and sustainable HR practices, whereby employee well-being is an important foundation for the successful implementation of comprehensive HR policies.

*H<sub>5</sub>: Employee psychology influences sustainable HR practices*

## **2.6 Sustainable HR as a Mediating Variable**

Sustainable HR practices play a mediating role between psychological factors and leadership in organizational performance, where sustainable HR practices have been shown to increase employee loyalty and reduce turnover rates ([Chernyak-Hai et al., 2024](#)). When organizations implement sustainability-oriented HR policies, such as continuous training, a supportive work environment, and work-life balance, employees tend to feel greater stability and commitment to the organization. This makes them more loyal and less likely to leave their jobs.

In addition, sustainable HR practices strengthen the influence of transformational leadership on organizational outcomes ([Prayogi & Annisa, 2023](#)). Transformational leaders who are able to inspire, motivate, and support employees will be more effective if supported by a consistent and sustainable HR system. Strong HR policies clarify the direction of employee development and ensure that work processes are aligned with the leader's vision. Thus, sustainable HR practices serve as a mechanism that helps translate the values and influence of transformational leadership into actual organizational performance. Based on these findings, sustainable HR is suspected to play a significant mediating role in this research model, as it is able to connect employee psychological dimensions and leadership style with improved organizational performance.

*H<sub>6</sub>*: Sustainable HR mediates the relationship between employee psychology and organizational performance

*H<sub>7</sub>*: Sustainable HR mediates the relationship between transformational leadership and organizational performance

## **2.7 Research Problems and Research Gaps**

Previous studies have examined sustainable HR practices and organizational performance separately, failing to provide a comprehensive understanding of the relationships among transformational leadership, psychological well-being, sustainable HR practices, and organizational performance. Several research gaps remain: there is no study integrating these three main variables into a single model; the mediating role of sustainable HR practices within leadership and performance relationships has not been widely tested, nor has the influence of psychological well-being on sustainable HR practices been extensively explored. Additionally, high work pressure among Indonesian workers has not been used as an analytical basis in prior studies, and no research has simultaneously examined the combined effects of these three variables on organizational performance.

## **2.8 Previous Research**

Previous relevant research supporting the relationship between transformational leadership, psychological well-being, and sustainable HR practices on organizational performance is as follows:

1. [Fitriati and Marsanty \(2023\)](#): This study shows that transformational leadership can create social cohesion and organizational resilience in crisis situations. These findings confirm that transformational leaders can build an adaptive, collaborative work environment that supports employee motivation. The results of this study are highly relevant because they show how transformational leadership can strengthen the quality of work relationships and encourage improved organizational performance.
2. [Kyambade et al. \(2023\)](#): This study confirms that employee positive psychology which includes intrinsic motivation, resilience, and psychological well-being has a significant effect on work engagement and organizational productivity. These findings indicate that healthy psychological conditions are crucial factors in improving employee performance. The relevance of this study lies in its emphasis that psychological well-being is a fundamental variable in supporting the effectiveness of HR practices and organizational performance.
3. [Chernyak-Hai et al. \(2024\)](#): This study found that sustainable HR practices can increase productivity, reduce turnover, and strengthen the long-term efficiency of organizations. These findings support the importance of sustainable HR development as a key strategy for improving organizational performance. The relevance of this research is very strong because sustainable HR practices serve as a link between leadership aspects, employee psychological conditions, and organizational performance results.

The conceptual diagram presented in Figure 1 illustrates the proposed relationships in this study, showing how Leadership Style and Psychological Well-Being influence Sustainable HR Practices, which in turn impacts Organizational Performance. The diagram also highlights the direct effects of Leadership Style and Psychological Well-Being on Organizational Performance, providing a visual framework for understanding the hypothesized interactions among these variables.

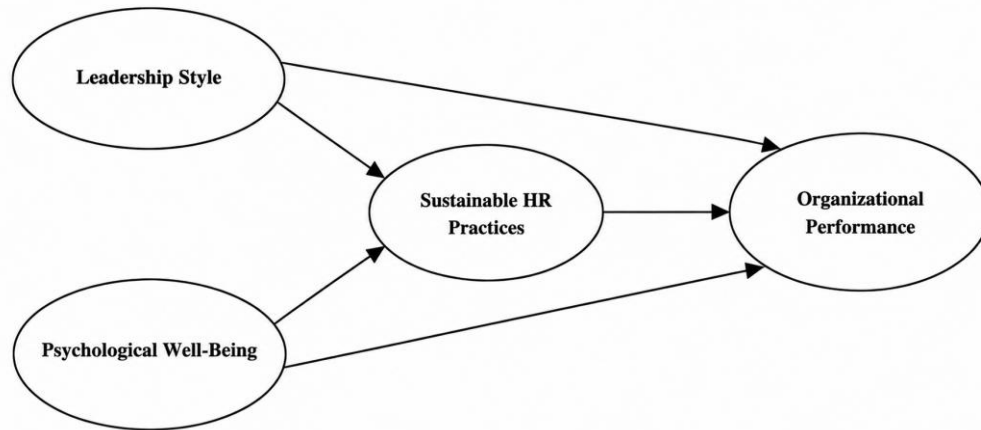


Figure 1. Conceptual diagram

### 3. Research Methodology

#### 3.1 Research Type and Approach

This study uses an explanatory quantitative approach to measure the relationship between variables and aims to explain the cause-and-effect relationship between variables, using hypothesis testing and statistical analysis such as SPSS (Afif, Syafi'i, & Nur, 2025). This approach was chosen because it provides an objective picture of the influence of employee psychology, transformational leadership, and sustainable HR practices on organizational performance. The explanatory design allows for direct hypothesis testing through structural modeling. This study is not an experiment, but is based on a quantitative survey, as commonly used in HR management research to identify determinants of work behavior and organizational performance.

#### 3.2 Research Population and Sample

The research population consists of all permanent employees at PT Manufaktur in Batam City, covering various job functions ranging from operational staff to managerial staff. The sample size used was 224 respondents, collected through a replication technique based on longitudinal data collection during the survey period. A larger sample than the actual population was used to increase the precision of the model estimates and strengthen external validity.

#### 3.3 Sampling Technique

The sampling technique used was simple random sampling, without considering differences in position and division. This technique ensures that each member of the population has an equal opportunity to become a respondent, so that the perceptions collected represent the entire organizational unit evenly. The selection of this technique is consistent with an inclusive HR approach that emphasizes the importance of cross-generational involvement and diverse backgrounds (Kyambade et al., 2023).

#### 3.4 Research Variables and Instrument Sources

The research model consists of three latent variables:

##### 1. Employee Psychology

Measured based on psychological well-being indicators from Troth et al., including resilience, intrinsic motivation, and sense of organizational belonging.

##### 2. Transformational Leadership

Measured using the dimensions of transformational leadership from Natsir et al., namely:

1. Idealized influence
2. Inspirational motivation
3. Intellectual stimulation
4. Individualized consideration

### 3. Sustainable Human Resource Practices and Organizational Performance

Referring to the model by [Pauliková, Gyurák Babeřová, and Ubárová \(2021\)](#) which emphasizes continuous training, inclusive policies, and work–life balance. Measured based on strategic performance indicators from [Adiele and Gbekee-Kalagbor \(2025\)](#) covering organizational effectiveness, efficiency, and adaptability. The research instrument consisted of 22 statement items, using a 1–5 Likert scale (strongly disagree–strongly agree).

#### 3.5 Data Collection Techniques and Procedures

Data were collected online via Google Form on January 2, 2025. Participation was voluntary, anonymity was guaranteed, and data confidentiality was maintained in accordance with research ethics. This online collection method is considered effective in the post-pandemic context, aligning with the increasing adoption of digital tools ([Said & Kamel, 2023](#)). No special hardware was used in data collection, only standard devices such as laptops or respondents' mobile phones.

#### 3.6 Software and Data Analysis Techniques

Data analysis was conducted using SmartPLS, employing the Partial Least Squares-Structural Equation Modeling (PLS-SEM) approach. PLS-SEM was selected because it does not require assumptions of data normality, can handle multiple latent variables, allows for the analysis of both direct and indirect (mediation) relationships, and is suitable for predictive as well as exploratory models.

The analysis stages include:

1. Descriptive Statistics: Used to describe respondent characteristics based on age, education, length of service, and position.
2. Outer Model Test: Tests indicator quality through:
  - Convergent validity* → *loading factor* > 0.5 (1)
  - Reliability* → *Cronbach's Alpha* > 0.60 (2)
3. Inner Model Test
  - Includes: Path coefficient* → *indicates the strength and direction of influence between variables* (3)
  - R – square (R<sup>2</sup>)* → *indicates the predictive power of the model* (4)
4. Hypothesis Significance Test
  - Using the t – test and p – value* < 0.05 as the significance threshold (5)

#### 3.7 Research Replication

To ensure replicability, the research provides detailed descriptions of the research model, variable indicators, and survey instruments. Sampling techniques and sample sizes are clearly presented, and the analysis software, SmartPLS, is explicitly identified. Additionally, the methodological flow of the analysis, including outer model, inner model, and hypothesis testing, is explained. These details enable other researchers to conduct follow-up studies in similar organizations under comparable operational conditions.

#### 3.8 Research Indicators

All indicators were measured using a 1–5 Likert scale (1 = strongly disagree to 5 = strongly agree) with a total of 22 statement items.

1. Employee Psychology (Psychological Well-being)
  - This variable is measured based on the psychological well-being indicators which include:
    - a) Resilience
    - b) Intrinsic motivation
    - c) Sense of organizational belonging

Operationally, in the measurement model, this construct is represented by six reflective indicators (PSI1–PSI6)

## 2. Transformational Leadership

This variable is measured using the dimensions of transformational leadership which consist of:

- a) Idealized influence
- b) Inspirational motivation
- c) Intellectual stimulation
- d) Individualized consideration

In the measurement model, this construct is represented by four indicators (KPM1–KPM4).

## 3. Sustainable Human Resource Practices

This variable refers to the model, which emphasizes:

- a) Continuous training
- b) Inclusive policies
- c) Work–life balance

Operationally, this variable is measured using five indicators (PSD1–PSD5) in the measurement model.

## 4. Organizational Performance

Organizational performance measurement refers to the strategic performance indicators from which include:

- a) Organizational effectiveness
- b) Efficiency
- c) Adaptability

In the structural model, this construct is represented by seven indicators (KOG1–KOG7).

All indicators were tested through an outer model to ensure convergent validity (loading factor > 0.50 and AVE > 0.50) and construct reliability (Cronbach's Alpha > 0.60 and Composite Reliability > 0.70).

The test results showed that all indicators met the validity and reliability criteria, making them suitable for further structural analysis using PLS-SEM.

## 4. Results and Discussion

This section presents the main findings of the study on the influence of transformational leadership style, employee psychological well-being, and sustainable HR practices on organizational performance. The analysis was conducted using the Partial Least Squares-Structural Equation Modeling (PLS-SEM) approach to test the direct and mediating relationships between variables. The results of the validity, reliability, path coefficient, and R-square tests are shown in the following table.

### 4.1 Validity and Reliability Test Results

Table 1. Validity and Reliability Test Results

Construct	Loading Factor	AVE	Cronbach's Alpha	Composite Reliability
<b>Leadership Style</b>		<b>0,720</b>	<b>0,870</b>	<b>0,912</b>
KPM1	0,862			
KPM2	0,831			
KPM3	0,834			
KPM4	0,868			
<b>Psychological Well-being</b>		<b>0,677</b>	<b>0,904</b>	<b>0,926</b>
PSI1	0,858			
PSI2	0,779			
PSI3	0,843			
PSI4	0,795			
PSI5	0,815			
PSI6	0,843			

<b>Sustainable Human Resource Development</b>		<b>0,706</b>	<b>0,896</b>	<b>0,923</b>
PSD1	0,834			
PSD2	0,859			
PSD3	0,832			
PSD4	0,846			
PSD5	0,831			
<b>Organizational Performance</b>		<b>0,631</b>	<b>0,902</b>	<b>0,923</b>
KOG1	0,822			
KOG2	0,773			
KOG3	0,711			
KOG4	0,838			
KOG5	0,839			
KOG6	0,723			
KOG7	0,841			

The results in Table 1 indicate that all constructs meet the criteria for convergent validity and reliability. Leadership style records an AVE of 0.720, Cronbach's Alpha of 0.870, and Composite Reliability of 0.912, with indicator loadings ranging from 0.831 to 0.868. This confirms that the leadership construct is measured consistently and aligns with [Fitriati and Marsanty \(2023\)](#), who conceptualize transformational leadership as a stable and multidimensional influence on organizational outcomes. The empirical consistency found in this study strengthens the theoretical operationalization used in previous research.

Psychological well-being shows an AVE of 0.677, Cronbach's Alpha of 0.904, and Composite Reliability of 0.926, with loadings between 0.779 and 0.858. These results support [Kyambade et al. \(2023\)](#), who argue that employee psychological conditions form a coherent internal resource affecting performance. The strong validity values indicate that respondents perceive psychological well-being as an integrated construct rather than fragmented psychological states.

Sustainable Human Resource Development records an AVE of 0.706, Cronbach's Alpha of 0.896, and Composite Reliability of 0.923, with all indicators above 0.70. This finding is consistent with [Chernyak-Hai et al. \(2024\)](#), who explain that sustainable HR practices operate as an integrated and continuous development system. The empirical results confirm that the construct is perceived as a unified strategic practice. Organizational performance has an AVE of 0.631, Cronbach's Alpha of 0.902, and Composite Reliability of 0.923, with loading values ranging from 0.711 to 0.841. This indicates acceptable convergent validity and confirms that the performance indicators consistently represent organizational outcomes as described in prior studies.

#### 4.2 Direct and Indirect Path Coefficients

Table 2. Direct and Indirect Path Coefficients

<b>Direct Path Coefficient</b>				
<b>Hypothesis</b>	<b>Sample mean (M)</b>	<b>T statistics ( O/STDEV )</b>	<b>P values</b>	<b>Result</b>
Leadership Style > Organizational Performance ( $H_1$ )	0,245	3,678	0,000	Accepted
Employee Psychology > Organizational Performance ( $H_2$ )	0,466	6,291	0,000	Accepted

Sustainable Human Resource Practices > Organizational Performance ( $H_3$ )	0,269	3,811	0,000	Accepted
Transformational Leadership Style > Human Resource Practices ( $H_4$ )	0,472	5,700	0,000	Accepted
Employee Psychology > Sustainable Human Resource Practices ( $H_5$ )	0,484	5,342	0,000	Accepted
<b>Indirect Path Coefficient</b>				
Employee Psychology > Sustainable Human Resource Practices > Organizational Performance ( $H_6$ )	0,129	3,424	0,001	Accepted
Leadership Style > Sustainable Human Resource Practices > Organizational Performance ( $H_7$ )	0,129	2,892	0,004	Accepted

Table 2 presents the direct and indirect relationships between variables in the structural model. All hypotheses are statistically supported, as indicated by T-statistics values above 1.96 and p-values below 0.05. However, beyond statistical significance, the findings also provide important theoretical implications regarding how leadership, psychological well-being, and sustainable HR practices interact in influencing organizational performance. First, transformational leadership also has a significant direct effect on organizational performance (0.245;  $T = 3.678$ ;  $p = 0.000$ ). This finding is consistent with [Fitriati and Marsanty \(2023\)](#) who argue that visionary and inspirational leaders enhance institutional productivity and resilience. Nevertheless, the coefficient value indicates that leadership influence is comparatively weaker than employee psychology. This suggests that while leadership provides direction and inspiration, the actual realization of performance depends largely on employees' internal psychological conditions.

Second, employee psychology shows the strongest direct effect on organizational performance (0.466;  $T = 6.291$ ;  $p = 0.000$ ). This indicates that employees' intrinsic motivation, resilience, and positive psychological conditions play a central role in determining performance outcomes. This finding supports [Kyambade et al. \(2023\)](#), who emphasize that positive psychological states enhance engagement and work efficiency. The present study strengthens this argument by demonstrating that psychological well-being does not only affect individual attitudes, but significantly contributes to measurable organizational performance. The higher coefficient value compared to other direct effects suggests that psychological factors may act as the primary driver of performance within the organizational context examined.

Third, sustainable HR practices significantly influence organizational performance (0.269;  $T = 3.811$ ;  $p = 0.000$ ). Continuous training, inclusive policies, and work-life balance initiatives create a stable and productive working system. This finding confirms [Chernyak-Hai et al. \(2024\)](#), who state that structured and sustainability-oriented HR systems enhance long-term organizational capability. Sustainable HR practices mediate the relationship between transformational leadership and organizational performance (0.129;  $T = 2.892$ ;  $p = 0.004$ ). This suggests that leadership influence is strengthened when translated into formal HR practices. Inspirational leadership alone may not fully optimize performance unless supported by sustainable systems that ensure consistency in employee development and organizational processes. The presence of significant direct and indirect effects indicates partial mediation. Thus, organizational performance is influenced both directly by leadership and psychological well-being and indirectly through sustainable HR practices. These findings demonstrate that performance improvement

depends on the alignment between individual psychological resources, leadership behavior, and institutional HR systems.

#### 4.3 R-Square Results

Table 3. R-Square Results

Variables	Adjusted R2	Percentage (%)
Sustainable Human Resource Practices	0,875	87,5
Organizational Performance	0,906	90,6

Based on Table 3, the Adjusted R<sup>2</sup> value for Sustainable Human Resource Practices is 0.875 and for Organizational Performance is 0.906. These values indicate that the model has very strong predictive power, as more than 67% of the construct variation can be explained by the independent variables in the model. This means that 87.5% of the variation in Sustainable Human Resource Practices and 90.6% of the variation in Organizational Performance can be explained by transformational leadership and psychological well-being in this study.

The high Adjusted R<sup>2</sup> value for Sustainable Human Resource Practices reinforces the theoretical argument put forward by [Chernyak-Hai et al. \(2024\)](#) that sustainable HR practices are an integrated system influenced by internal organizational factors. Furthermore, [Ambalele and Tellu \(2023\)](#) state that transformational leadership encourages innovation and organizational adaptability, which ultimately shapes a more progressive and sustainable HR management system. The results of this study show that this influence is not only conceptual but also has a very high empirical explanatory power.

Furthermore, the Adjusted R<sup>2</sup> value of 0.906 in Organizational Performance shows that organizational performance is greatly influenced by the variables in the model, both directly and through the mediation of Sustainable Human Resource Practices. This finding is in line with [Fitriati and Marsanty \(2023\)](#), who found that transformational leadership can create organizational resilience and cohesion, and [Laura and Meidina \(2022\)](#), who emphasized that the psychological condition of employees is positively correlated with increased performance. Additionally, [Yusuf et al. \(2024\)](#) also proved that leadership can influence performance through the HR management system as a mediating variable. Therefore, the results of this study confirm that transformational leadership and psychological well-being play an important role in shaping Sustainable Human Resource Practices, which ultimately improve Organizational Performance.

#### 4.4 Discussion

The results of the study indicate that transformational leadership style has a significant effect on organizational performance ( $T = 3.678$ ;  $p = 0.000$ ). These findings indicate that inspirational and visionary leadership not only increases individual motivation, but also creates a clear strategic direction for the organization. In the context of manufacturing companies facing post-pandemic dynamics and digital transformation, the role of transformational leaders is crucial in maintaining stability while encouraging adaptation. These results reinforce the findings of [Fitriati and Marsanty \(2023\)](#), which states that participatory and transformational leadership can improve institutional resilience in crisis situations. This is because inspirational and participatory leadership styles can increase motivation, strengthen work discipline, and encourage employee engagement in achieving organizational goals, thereby helping to maintain organizational sustainability and performance when facing operational problems ([Hidayat, Perkasa, & Saluy, 2026](#)). However, this study expands on these findings by showing that leadership influence is not only relevant in crisis conditions, but also in the routine operational context of organizations through measurable structural mechanisms in the PLS-SEM model.

$H_1$ : Transformational Leadership Style → Organizational Performance

Psychological well-being has been proven to have a significant effect on organizational performance ( $T = 6.291$ ;  $p = 0.000$ ) and shows the highest T value compared to other direct relationships. This shows that the psychological condition of employees is a very dominant factor in determining work effectiveness. Employees with intrinsic motivation, a sense of belonging, and emotional stability tend

to show higher performance consistency. These findings are consistent with [Kyambade et al. \(2023\)](#), who argue that employee engagement and psychological resilience are important determinants of work efficiency. Engagement fosters active collaboration and knowledge sharing, enabling faster problem-solving and more effective task completion.

At the same time, psychological resilience supports emotional regulation and cognitive stability, allowing employees to maintain focus and productivity even under work pressure. [Emilisa and Citra \(2022\)](#) further explain that emotionally stable employees demonstrate higher consistency in performance outcomes. Importantly, the results of this study indicate that the statistical influence of psychological well-being is stronger than that of direct leadership on organizational performance. This suggests that internal individual factors function as a strategic driver within the organizational system, highlighting that performance sustainability depends not only on managerial direction but also on employees' psychological capacity to perform effectively.

*H<sub>2</sub>: Psychological Well-being → Organizational Performance*

Sustainable HR practices have a significant effect on organizational performance ( $T = 3.811$ ;  $p = 0.000$ ). This shows that practices such as continuous training, work-life balance policies, and inclusive recruitment systems are not merely administrative in nature, but have a real impact on organizational performance. These results support the findings [Chernyak-Hai et al. \(2024\)](#) which states that sustainable HR systems function as integrative mechanisms that enhance organizational stability and productivity. In addition, [Fatimah and Fu'ad \(2025\)](#) also emphasize that aligning employee development, welfare policies, and organizational strategies can increase commitment and reduce turnover rates. Integrating these practices strengthens the adaptive capacity of organizations in facing changes in the business environment. Thus, this study provides additional empirical evidence that sustainable HR practices are not merely administrative in nature, but serve as a structural foundation that consistently links managerial policies with organizational outcomes.

*H<sub>3</sub>: Sustainable HR Practices → Organizational Performance*

Transformational leadership ( $T = 5.700$ ;  $p = 0.000$ ) and psychological well-being ( $T = 5.342$ ;  $p = 0.000$ ) were found to have a significant effect on sustainable HR practices. These findings indicate that sustainable HR practices do not develop automatically, but are influenced by the quality of leadership and the psychological condition of employees. [Yusuf et al. \(2024\)](#) emphasizes that leadership that supports employee well-being is more active in career development and HR systems. According to [Virendra, Zahra, Aulia, Fitri, and Malulana \(2025\)](#) and [Ali, Khan, Rais, and Gul \(2023\)](#), this is because supportive leaders tend to provide opportunities for competency improvement, develop fair and sustainable human resource policies, and encourage employee participation in the organizational development process, thereby creating a more adaptive and long-term oriented human resource system. The results of this study reinforce this argument by showing that these two variables simultaneously form the foundation for sustainable HR implementation. This means that sustainable HR in this study acts as the result of a combination of structural factors (leadership) and psychological factors (well-being).

*H<sub>4</sub> and H<sub>5</sub>: Transformational Leadership & Psychological Well-being → Sustainable Human Resources*

Sustainable HRM was found to mediate the relationship between psychological well-being and organizational performance ( $T = 3.424$ ;  $p = 0.001$ ), as well as between transformational leadership and organizational performance ( $T = 2.892$ ;  $p = 0.004$ ). These results indicate that the influence of leadership and psychological conditions on performance is not entirely direct, but largely works through a structured HR system. These findings support the view [Chernyak-Hai et al. \(2024\)](#) that sustainable HR serves as a catalyst that transforms leadership influence and positive psychology into measurable organizational output.

According to [Gemina, Kartini, and Sulistiawati \(2026\)](#), factors such as organizational culture and self-efficacy have been shown to improve performance through a structured mediation mechanism, namely work motivation, so that these psychological influences are systematically translated into tangible and

measurable performance improvements. Theoretically, this study confirms that sustainable HR practices are not merely additional variables, but rather strategic mediation mechanisms that bridge human factors and organizational performance in a single integrated model.

*H<sub>6</sub>* and *H<sub>7</sub>*: Mediation of Sustainable HRM

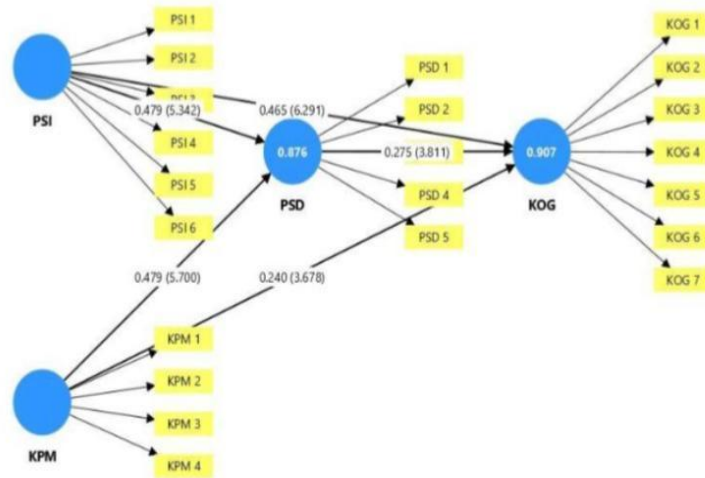


Figure 2. Analysis results model

Figure 2 shows that sustainable HR practices function as a mediating variable that connects the influence of transformational leadership style and psychological well-being on organizational performance. The significant relationship path reinforces that sustainable HR is a strategic mechanism in improving performance.

## 5. Conclusion

### 5.1 Conclusion

This study aims to analyze the influence of transformational leadership, employee psychological well-being, and sustainable HR practices on organizational performance, as well as to examine the mediating role of sustainable HR practices. The results of the analysis using PLS-SEM show that all hypotheses proposed in this study are accepted. First, transformational leadership has a significant effect on organizational performance, indicating that leaders who are inspiring, visionary, and empower employees are able to create a productive work environment. Second, psychological well-being has been proven to improve organizational performance, reflecting the importance of positive mental conditions in promoting work effectiveness.

Third, sustainable HR practices have a direct influence on improving organizational performance, particularly through continuous training, inclusive policies, and work-life balance. In addition to direct effects, sustainable HR practices were also found to mediate the relationship between transformational leadership and organizational performance, as well as between psychological well-being and organizational performance. These findings suggest that sustainable HR is a strategic mechanism that links psychological factors and leadership to organizational outcomes. Thus, the research objective has been achieved, namely to produce a comprehensive model that explains the simultaneous relationship between the variables of transformational leadership, employee psychology, sustainable HR practices, and organizational performance.

### 5.2 Research Limitation

The implications of this research cover several important aspects, namely that transformational leadership style and employee psychological well-being have been proven to have a positive effect on organizational performance, so managers need to develop inspirational leadership and pay attention to the psychological condition of employees to improve work effectiveness. Sustainable HR practices also act as a mediator that strengthens the relationship between leadership and performance, emphasizing

the importance of integrating these practices into organizational strategies as a mechanism for improving performance.

Theoretically, this study fills a gap in previous studies by comprehensively combining the three main variables, particularly in the context of organizations undergoing digital transformation in the wake of the pandemic. These findings are relevant for organizations adapting to digital change and post-pandemic challenges, demonstrating that adaptive and sustainable leadership and HR approaches are crucial for long-term success. Furthermore, the identification of limitations and directions for future research opens opportunities to explore other variables that may influence organizational performance and develop more comprehensive research models.

### **5.3 Suggestions and Directions for Future Research**

Given the limitations of this study, future research is recommended to expand the scope of the study to various industrial sectors to ensure greater generalizability of the results, employ a longitudinal design to capture the dynamics of relationships among variables, and combine quantitative and qualitative methods to minimize respondent perception bias. Additionally, the inclusion of other variables such as organizational culture or contextual factors, as well as testing more complex models involving mediating or moderating variables, is necessary to deepen our understanding of the factors influencing organizational performance.

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### **Author Contributions**

RS contributed primarily to the conceptualization of the study, data collection, data analysis using the PLS-SEM method with SmartPLS, including validity and reliability testing, interpretation of the results, and drafting the manuscript. YGP and DHA contributed to research supervision, validation of the research design, and critical revision of the manuscript. All authors reviewed and approved the final version of the manuscript.

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