

# The Influence of Transformational Leadership and Physical Work Environment on Employee Performance with Work Discipline as an Intervening Variable at the Babat Toman Sub-District Office, Musi Banyuasin Regency

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## ABSTRACT

The main objective of this research is to analyze how transformational leadership and the physical work environment impact employee performance, while also considering work discipline as a connecting factor at the Babat Toman District Office in Musi Banyuasin Regency. Utilizing a quantitative method with an associative approach, the study involved 40 employees as the research population, selected through simple random sampling. Primary data were obtained through structured questionnaires and analyzed using SmartPLS 3. The findings suggest that transformational leadership does not have a significant impact on employee performance when work discipline is taken into account. This implies that work discipline does not play a role as a mediator in this particular connection. On the other hand, the physical work setting has a positive influence on employee performance by way of work discipline, demonstrating that work discipline successfully acts as a mediator between the physical work environment and employee performance.

Keywords: Transformational Leadership, Physical Work Environment, Work Discipline and Employee Performance

## 1. INTRODUCTION

Human Resource Management holds significant importance as one of the management functions alongside marketing, finance, and production functions. Human resource management encompasses efforts or activities of an organization in managing human resources starting from the employee recruitment process, placement, management, training, maintenance, termination of employment relationships to industrial relations. In the process of achieving its goals, institutions need to pay attention to employee performance levels. HR is crucial in organizations as it is responsible for coordinating and overseeing different initiatives in order to achieve the goals and objectives of the organization. The potential of company HR must be optimized to produce high-quality output. The performance of a company's HR will determine overall performance (Edison et al., 2016).

Bureaucratic reform is a process of restructuring, changing, improving and perfecting bureaucracy to make it better (professional, efficient, effective and productive), both from institutional aspects, human resource aspects of apparatus (HR), administrative aspects, and supervisory aspects. Its scope is not only limited to processes and procedures but also involves changes at the structural level and attitudes as well as government behavior. Good governance involves implementing and following principles such as professionalism, accountability, transparency, quality service, democracy, efficiency, effectiveness, adherence to the rule of law, and can be supported by the entire community. Improving bureaucratic performance and civil servants can only be done through objective, valid and accountable evaluation processes.

To achieve organizational goals, there must be transformational leadership that can support the smooth operation and good corporate organization. The role of transformational leadership in an organization is very

important to achieve predetermined organizational goals. Based on this view, achieving organizational goals greatly depends on the leader's ability. Every leader must be able to provide direction or instructions to subordinates, such as how to foster good work discipline, motivate subordinates, create a harmonious work environment, and work relationships with employees or subordinates.

Setiadi et al., (2022) stated that transformational leadership style is a leader who has a change of mind with subordinates, makes subordinates enthusiastic to go there and this impacts subordinates or followers beyond their personal interests in the workplace and brings out important things for their followers. So, it can be said that transformational leadership is one of the factors that can influence employee or subordinate performance. This is proven by research results conducted by Sugiono & Pratista (2019), which confirms that transformational leadership style has a positive and significant effect on employee performance.

Beyond transformational leadership, the physical workplace environment serves as another key determinant of how well employees perform their jobs. When organizations provide quality working conditions and prioritize workplace safety, they help sustain their workers' motivation levels. The physical work environment encompasses all tangible elements present in the workplace that can affect employee productivity, whether through direct or indirect means (Saefullah & Basrowi, 2022). This study specifically focuses on the non-physical aspects of the work environment, based on research findings indicating that non-physical environmental factors have a more precise impact on employees than physical environmental elements. Evidence shows that employee performance is indeed affected by the physical work environment, demonstrating that physical workplace conditions create a meaningful positive impact on how employees perform (Yolanda et al., 2023).

In addition, the most important thing in improving employee performance is work discipline. Work rules (discipline) have several aspects that can influence employee performance. Discipline is a means to determine whether leadership as a whole can function very well. Work discipline is governance behavior to maintain organizational standards. Discipline is also a control method for employees; they regularly demonstrate team work ability in organizational disciplinary actions requiring employees who fail to meet specified standards to receive applicable punishment. Therefore, disciplinary action is not negligence, but requires wise consideration. Employees who obey the rules set by leadership and strict discipline will create a more helpful work atmosphere and have a positive impact on work activities. Therefore, every leader wants their employees to comply with established rules.

The Babat Toman District Office, Musi Banyuasin Regency, is one of the government agencies that has a quite strategic role in providing good services to both the community and bodies or agencies or offices located in Musi Banyuasin Regency. It is expected that the Babat Toman District Office can carry out government functions as well as possible, especially service functions so that the effectiveness of Human Resource Management in the Babat Toman District Office environment needs to be improved.

Transformational Leadership is a leader whose ability is not universal, but by achieving the mission, encouraging members to learn and the ability to transform also provides ideas to subordinates for various things that need to be understood and resolved (Setiadi & Lutfi, 2021). Usually someone who has good Transformational Leadership can make decisions appropriately and decisively. Many examples around us show that people who have brain intelligence and many degrees are not necessarily successful in the work world. Organizational performance is influenced by Transformational Leadership, spiritual intelligence and Physical Work Environment.

From observation results, problems that occur with employees of the Babat Toman District Office, Musi Banyuasin Regency, include: from the transformational leadership factor, the charisma or ideal influence of the leader is not yet visible, the leader's motivation has not been maximized. From the physical work environment factor, there is still lack of lighting/light in the workplace, poor temperature in the workplace, poor air circulation in the workplace. From the work discipline factor, the frequency of employee attendance has not been maximized, there is still lack of employee compliance with work standards and regulations, seen from employee work ethics that do not yet reflect a harmonious work atmosphere, mutual respect so that all these problems can reduce employee performance.

The purpose of this research is to determine the influence of transformational leadership and physical work environment on employee performance, as well as the role of work discipline as an intervening variable

at the Babat Toman District Office, Musi Banyuasin Regency. This research has novelty by combining two main variables, namely Transformational Leadership and Physical Work Environment, and placing Work Discipline as an intervening variable in the context of improving employee performance in government environment, specifically at the Babat Toman District Office, Musi Banyuasin Regency. Another novelty lies in the focus of analysis that not only looks at the direct influence of these two variables on employee performance, but also how Work Discipline mediates this relationship, which is still rarely studied comprehensively at the district level. Thus, this research provides new empirical contributions in understanding the mechanism of leadership influence and physical work environment on employee performance through work discipline in a specific regional government context.

## **2. LITERATURE REVIEW**

### **2.1. Transformational Leadership**

According to Sule & Priansyah (2018), transformational leadership consists of leading in a way that brings about alterations within the organization. This type of leadership entails taking steps to inspire employees to work towards ambitious objectives that go beyond their own self-interests. According to Setiadi & Lutfi (2021), transformational leadership consists of four main dimensions that become indicators of an effective leader's characteristics. First is charisma or ideal influence, which is extraordinary behavior shown by the leader so as to attract respect and trust from followers. Second, inspirational motivation, where the leader is able to clearly communicate expected achievements from employees, show strong commitment to organizational goals, and arouse enthusiasm, enthusiasm, and optimism in the team. Third is intellectual stimulation, which reflects the leader's ability to develop new ideas and creative solutions to overcome problems faced by followers. Finally, individual consideration, which is the leader's willingness to listen to subordinate input and pay attention to career development and personal needs of each team member. These four dimensions together form a leadership style that can motivate and empower employees optimally.

### **2.2. Physical Work Environment**

According to Sudaryo et al. (2018), the physical workplace environment encompasses all surroundings that impact employee productivity, whether through direct or indirect means. Saefullah & Basrowi (2022) mention the good functions and objectives of the physical work environment, revealing that a safe and healthy work environment will have a positive impact on people in it. Therefore, the work environment should be an important part that needs to be improved by companies so that workers are able to optimize their work. The best effect of a good work environment is achieving company goals such as high productivity so that companies can compete healthily in the business world.

Referring to Gimon et al. (2023), the physical work environment can be measured through several important indicators. First, lighting or light in the workplace, which is a crucial factor because it plays a role in the smooth running of office activities. Adequate lighting helps employees work more effectively and reduces eye fatigue. Second, ideal workplace temperature contributes to employee comfort and productivity. Third, good air circulation is very important because oxygen is a vital gas for the survival and metabolic processes of living beings. Polluted air or air with low oxygen content, mixed with harmful gases or odors, can damage health and reduce employee productivity. Fourth, noise in the workplace is also a factor that needs attention. Research shows that constant and predictable sounds generally do not interfere with work performance, but unexpected and uncertain sounds can disturb employee concentration. According to this description, the work environment encompasses all aspects surrounding employees during work, encompassing both tangible and intangible factors that impact their productivity and well-being. A favorable work setting fosters feelings of safety and ease among employees, whereas an inhospitable environment can lead to discomfort and decrease productivity.

### **2.3. Work Discipline**

Based on Chusminah & Haryati (2020), work discipline is an action taken by employees that is in accordance with written and unwritten regulations in an organization. According to Karyono (2021), employee work discipline can be measured through several important indicators. First, goals and abilities that must be clear and ideal, while sufficiently challenging for employee abilities. The work given must match employee abilities so they can work earnestly and disciplinedly. Second, leadership example that becomes an example

and role model for subordinates greatly determines their level of discipline. Leaders who are disciplined, honest, fair, and consistent between words and actions will encourage subordinates to imitate these attitudes, while less disciplined leaders will reduce subordinate discipline. Third, adequate remuneration in the form of salary and welfare can increase employee satisfaction and love for work, thus encouraging better discipline. Fourth, fairness in treatment and policies, especially in giving rewards and punishments, is very important because humans tend to expect equal and fair treatment. Furthermore, the fifth indicator is waskat or inherent supervision, where superiors must actively supervise the behavior, morale, attitudes, and work performance of subordinates directly and regularly, so they can provide direction and assistance if needed. Sixth, legal sanctions that are increasingly strict and heavy will create a deterrent effect, thereby reducing disciplinary violations. Seventh, leadership firmness in enforcing rules and imposing sanctions for violations becomes a key factor so that discipline is respected and recognized by employees. Finally, harmonious human relationships among employees, both vertically and horizontally, also play a role in creating a conducive work atmosphere and good discipline. These good relationships include individual and group interactions that support each other in the work environment.

## 2.4. Employee Performance

According to Setiadi & Lutfi (2021), performance is the key to achieving the goals of an organization or company. In the performance of an employee or a good employee in a company or organization can achieve a goal and hope. Meanwhile, according to Karyono (2021), performance is work results achieved by employees in carrying out tasks and work that are their responsibility in the organization. Performance is not just an end result, but also reflects how effectively and efficiently someone carries out their duties in accordance with organizational goals.

To measure performance comprehensively, Wibowo (2017) puts forward seven important interrelated indicators. First, goals, which are conditions or results that individuals or organizations want to achieve actively. Second, standards, which function as measures to determine when a goal can be said to have been achieved, so that without standards, goal achievement cannot be measured clearly. Third, feedback that provides information about progress in quality and quantity in achieving goals according to predetermined standards. Fourth, tools or means, namely available resources used to support effective goal achievement. Fifth, work discipline which is the main prerequisite in supporting performance, because discipline reflects a person's ability to carry out tasks well and consistently. Sixth, motive, which is the drive or reason that motivates individuals to act, where managers can facilitate this motivation through incentives, recognition, and setting challenging goals. Finally, seventh is opportunity, which includes opportunities given to workers to show work performance, considering time availability and ability to meet requirements as determinants of success. By understanding these seven indicators, organizations can be more effective in managing and improving employee performance.

## 2.5. Conceptual Framework

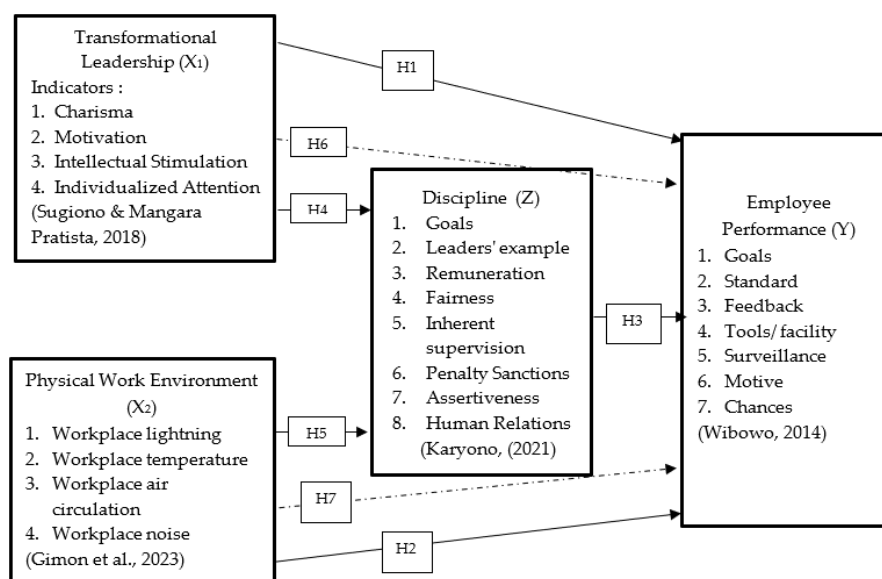


Figure 1. Conceptual Framework

The hypotheses in this research are:

**H1:** It is suspected that there is a significant influence of Transformational Leadership on Employee Performance at the Babat Toman District Office, Musi Banyuasin Regency.

**H2:** It is suspected that there is a significant influence of Physical Work Environment on Employee Performance at the Babat Toman District Office, Musi Banyuasin Regency.

**H3:** It is suspected that there is a significant influence of Work Discipline on Employee Performance at the Babat Toman District Office, Musi Banyuasin Regency.

**H4:** It is suspected that there is a significant influence of Transformational Leadership on Work Discipline at the Babat Toman District Office, Musi Banyuasin Regency.

**H5:** It is suspected that there is a significant influence of Physical Work Environment on Work Discipline at the Babat Toman District Office, Musi Banyuasin Regency.

**H6:** It is suspected that there is a significant influence of transformational leadership on employee performance through work discipline at the Babat Toman District Office, Musi Banyuasin Regency.

**H7:** It is suspected that there is a significant influence of physical work environment on employee performance through work discipline at the Babat Toman District Office, Musi Banyuasin Regency.

### 3. RESEARCH METHODS

The research participants in this study include all staff members at the Babat Toman District Office in Musi Banyuasin Regency, totaling 40 individuals, consisting of 16 civil servants (ASN) and 24 contract workers. This study utilizes a saturated sampling technique, also known as simple sampling, where every member of the population is included as a sample. The researcher selected a sample of 40 employees, including 16 civil servants and 24 contract workers.

Primary data refers to information gathered from responses provided by the participants of the study, specifically data concerning opinions or phenomena related to the research subject at the Babat Toman District Office in Musi Banyuasin Regency. Secondary data consists of information obtained from institutions, agencies, as well as literature reviews directly relevant to the research issue sourced from books, research journals, and articles.

Data analysis is conducted after collecting information from all respondents. The collected data is then analyzed using partial least square (PLS) software, specifically Smart PLS 3.0. This study employs partial least square (PLS) analysis as the analytical technique, which involves comparing various dependent and independent variables. Partial least square (PLS) is a statistical approach for structural equation modeling (SEM) based on variance intended to address regression challenges linked to specific data circumstances like small sample sizes in research, missing data, and multicollinearity.

### 4. RESULTS AND DISCUSSION

#### 4.1. Results

##### 4.1.1. Respondent Characteristics

Based on respondent characteristic data, it can be analyzed that the dominance of male respondents at 57.5% shows fairly balanced gender representation but slightly more men, which may reflect the employee composition at the Babat Toman District Office. This is important because gender differences can influence perceptions and attitudes toward research variables such as leadership and work discipline. In terms of age, the majority of respondents are in the productive group (31-40 years) at 45%, indicating a relatively young and energetic workforce, so the potential to actively contribute to the organization is quite high. The high proportion of employees with undergraduate education (47.5%) illustrates that most respondents have adequate academic qualifications, which usually correlates with understanding and application of work discipline as well as good adaptability to the work environment.

**Table 1. Respondent Characteristics**

Category	Subcategory	Number of Respondents	Percentage (%)
Gender	Male	23	57.5
	Female	17	42.5
	<b>Total</b>	<b>40</b>	<b>100.0</b>
Age	22–30 Years	12	30.0
	31–40 Years	18	45.0
	> 40 Years	10	25.0
	<b>Total</b>	<b>40</b>	<b>100.0</b>
Education	High School	12	30.0
	D3	3	7.5
	S1	19	47.5
	S2	6	15.0
	<b>Total</b>	<b>40</b>	<b>100.0</b>
Rank/Grade	Penata Tk. I / III.d	10	25.0
	Penata / III.c	4	10.0
	Penata Muda / III.a	2	5.0
	Temporary / Honorary	24	60.0
	<b>Total</b>	<b>40</b>	<b>100.0</b>
Years of Service	< 5 Years	9	22.5
	6–10 Years	14	35.0
	11–15 Years	8	20.0
	> 15 Years	9	22.5
	<b>Total</b>	<b>40</b>	<b>100.0</b>

Source: Data processing results 2025

Regarding rank and grade, it shows that most respondents are honorary workers (60%), who usually have more flexible work positions but may also face challenges related to career certainty and work motivation. Meanwhile, respondents with more formal structural grades (Penata Tk.1 and Penata) are fewer in number, which can influence leadership dynamics and disciplinary culture in the organization. The fairly even distribution of years of service, with the largest portion at 6-10 years (35%), indicates a balance between new employees and experienced employees. This has positive implications for knowledge and work experience continuity, while opening opportunities for renewal and innovation in the work environment. Overall, this demographic and occupational profile of respondents provides a comprehensive and diverse picture, so research results can represent real conditions in the field and provide validity in analyzing the influence of transformational leadership and physical work environment on employee performance through work discipline.

#### 4.1.2. Measurement Model Testing (Outer Model)

The requirement for AVE values in research to have good discriminant validity must be greater than > 0.5. However, for early-stage research in scale development.

**Table 2. Average Variance Extracted (AVE) Values**

Variable	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Work Discipline (Z)	0.986	0.986	0.987	0.756
Transformational Leadership (X1)	0.971	0.974	0.975	0.762
Employee Performance (Y)	0.978	0.980	0.980	0.700
Physical Work Environment (X2)	0.967	0.968	0.971	0.734

Source: Data Processing with Smart PLS3, 2025

According to table 2, it is indicated that the Transformational Leadership variable has an AVE value of 0.756, the Physical Work Environment variable has an AVE value of 0.762, the Employee Performance variable has an AVE value of 0.700, and the Work Discipline variable has an AVE value of 0.734. Among these variables, the Physical Work Environment variable stands out with the highest AVE value of 0.762, which exceeds the threshold of 0.5. As a result, the AVE values in this research are confirmed to demonstrate satisfactory discriminant validity.

#### 4.1.3. Reliability

**Table 3. Composite Reliability Values**

Variable	Composite Reliability
Transformational Leadership	0.987
Physical Work Environment	0.975
Work Discipline	0.980
Employee Performance	0.971

Source: Data Processing with Smart PLS3, 2024

The findings presented in Table 3 indicate that the composite reliability values for all latent variables or constructs exceed 0.7. This suggests that all constructs exhibit satisfactory reliability based on the specified minimum threshold. Researchers typically require composite reliability values above 0.7 for confirmatory research, while values between 0.6 and 0.7 are deemed acceptable for exploratory research (Ghozali & Latan, 2015).

In addition to assessing Convergent Validity and Discriminant Validity, the Outer Model can also evaluate the reliability of latent variables or constructs by examining the Cronbach's alpha values of indicator blocks. A variable is considered reliable or meets the Cronbach's alpha criterion if its value exceeds 0.7.

**Table 4. Cronbach's Alpha**

Variable	Cronbach's Alpha
Transformational Leadership	0.986
Physical Work Environment	0.971
Work Discipline	0.978
Employee Performance	0.967

Source: Data Processing with Smart PLS3, 2025

The results from the estimation table indicate that the Cronbach's alpha values for each latent variable exceed 0.6. This suggests that all constructs exhibit favorable reliability, meeting the necessary minimum thresholds. It is important to note that composite reliability values should surpass 0.7 in confirmatory studies, while values within the range of 0.6-0.7 are considered acceptable for exploratory research (Ghozali & Latan, 2015).

#### 4.1.4. Structural Model Testing (Inner Model)

**Table 5. R<sup>2</sup> (R-Squares) Values**

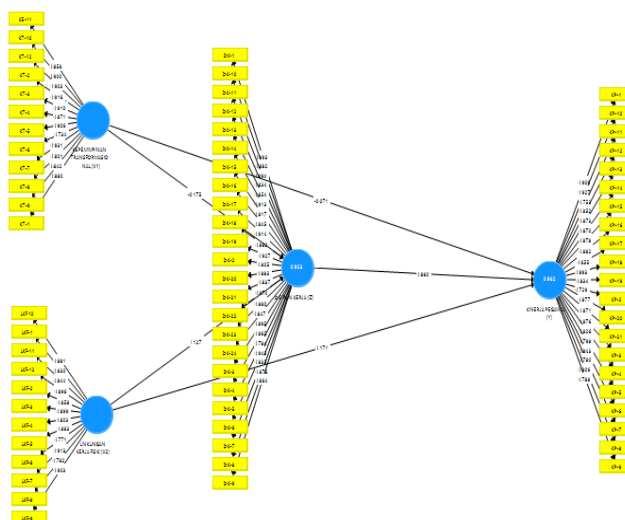
Variable	R-Square	R-Square Adjusted
Work Discipline (Z)	0.923	0.918
Employee Performance (Y)	0.962	0.959

Source: Data Processing with Smart PLS3, 2025

The magnitude of influence on endogenous latent variables is represented by R<sup>2</sup> values on each endogenous latent construct. In this study, the R<sup>2</sup> for Performance is 0.962 (96.2%), meaning the magnitude of influence on endogenous latent variables is 96.2% and the remaining 3.8% is explained by other variables not included in this study. The R<sup>2</sup> value for Work Discipline is 0.923 (92.3%), meaning Work Discipline can be explained by Transformational Leadership and Physical Work Environment by 92.3% and the remaining 7.7% is influenced by other variables.

#### 4.1.5. Hypothesis Testing

In Partial Least Squares (PLS) analysis, the significance of each relationship is tested using the bootstrapping method, a resampling technique applied to the sample data. This method is used to address issues of non-normality and enhance the robustness of the statistical inferences. The results of the bootstrapping analysis, conducted using SmartPLS 3, are presented as follows.



**Figure 2. Bootstrapping Output**

The basis used in hypothesis testing is the values contained in the path coefficients output. The following is the estimation output for hypothesis testing.

**Table 6. Total Effect and Specific Indirect Effect Values**

Path	Original Sample (O)	Standard Deviation (STDEV)	T Statistics	P Values	Result
Transformational Leadership (X1) -> Employee Performance (Y)	-0.071	0.254	0.278	0.781	Rejected
Physical Work Environment -> Employee Performance (Y)	0.171	0.301	0.568	0.570	Rejected
Work Discipline (Z) -> Employee Performance (Y)	0.880	0.226	3.900	0.000	Accepted
Transformational Leadership (X1) -> Work Discipline (Z)	-0.175	0.298	0.587	0.557	Rejected
Physical Work Environment -> Work Discipline (Z)	1.127	0.296	3.810	0.000	Accepted
Transformational Leadership -> Work Discipline -> Employee Performance	-0.154	0.263	0.585	0.559	Rejected
Physical Work Environment -> Work Discipline -> Employee Performance	0.991	0.378	2.620	0.009	Accepted

Source: Data Processing with Smart PLS3, 2025

Based on Table 6, Transformational Leadership (X1) exhibits a negative and non-significant effect on Employee Performance (Y). The path coefficient is -0.175 with t-statistic = 0.278 < t-table = 2.021 and p-value = 0.557 >  $\alpha = 0.05$ , resulting in hypothesis rejection. Physical Work Environment (X2) shows a positive but non-significant influence on Employee Performance (Y). The path coefficient is 0.171 with t-statistic = 0.586 < t-table = 2.021 and p-value = 0.570 >  $\alpha = 0.05$ , leading to hypothesis rejection.

Work Discipline (Z) demonstrates a significant positive effect on Employee Performance (Y). The path coefficient is 0.880 with t-statistic = 3.900 > t-table = 2.021 and p-value = 0.000 <  $\alpha = 0.05$ , confirming hypothesis acceptance. Transformational Leadership (X1) has a negative and non-significant effect on Work Discipline (Z). The path coefficient is -0.175 with t-statistic = 0.587 < t-table = 2.021 and p-value = 0.557 >  $\alpha = 0.05$ , resulting in hypothesis rejection. Physical Work Environment (X2) significantly influences Work Discipline (Z). The path coefficient is 1.127 with t-statistic = 3.810 > t-table = 2.021 and p-value = 0.000 <  $\alpha = 0.05$ , confirming hypothesis acceptance.

The indirect effect of Transformational Leadership (X1) on Employee Performance (Y) through Work Discipline (Z) is non-significant. The path coefficient is -0.154 with t-statistic = 0.585 < t-table = 2.021 and p-value = 0.559 >  $\alpha = 0.05$ , resulting in hypothesis rejection. The indirect effect of Physical Work Environment (X2) on Employee Performance (Y) through Work Discipline (Z) is significant. The path coefficient is 0.991 with t-statistic = 2.620 > t-table = 2.021 and p-value = 0.009 <  $\alpha = 0.05$ , confirming hypothesis acceptance.



## **4.2. Discussion**

### **4.2.1. The Effect of Transformational Leadership on Employee Performance at Babat Toman Sub-district Office, Musi Banyuasin Regency**

The first hypothesis (H1) testing results indicate that Transformational Leadership has a negative but non-significant effect. Therefore, the first hypothesis (H1) is rejected. This means that the greater the Transformational Leadership applied, the better the employee performance at Babat Toman Sub-district Office, Musi Banyuasin Regency, and vice versa. This aligns with the conditions at Babat Toman Sub-district Office where leaders play a crucial role in achieving organizational goals. Leadership is essential in organizations, with some arguing that when asked about the most important factor for organizational advancement, they answer leadership. This is consistent with Luthans (2011) who states the importance of transformational leadership capable of motivating others to work effectively and provide job satisfaction for employees.

This research aligns with Priyono (2016) theory stating that organizational performance is influenced by Transformational Leadership, spiritual intelligence, and Physical Work Environment. Transformational Leadership is defined as the ability to explore self-feelings and others' feelings, and manage emotions well in oneself and relationships with others (Goleman, 2022). However, this research contradicts studies by Aditya & Suharnomo (2017), Maryati (2017), and Supriyanto & Troena (2012) which found that Transformational Leadership has a positive and significant effect on teacher performance and manager performance at Islamic Banks in Malang City.

### **4.2.2. The Effect of Physical Work Environment on Employee Performance at Babat Toman Sub-district Office, Musi Banyuasin Regency**

Based on the second hypothesis (H2) testing results, Physical Work Environment influences employee performance but not significantly. Therefore, the second hypothesis (H2) is rejected. Although there is a tendency that better physical work environment can improve employee performance, this relationship is not strong enough to be considered significant in this research context. This reflects the field reality that physical work environment factors are important but may not be the main determinant in performance improvement.

This finding contradicts several previous studies. For instance, Aditya et al. (2017) showed that Physical Work Environment significantly affects employee performance. Similarly, Khairat et al. (2017) found significant results regarding Physical Work Environment's effect on auditor performance. Ibnu & Abdul (2019) also revealed positive and significant effects between Physical Work Environment and employee performance. These differences may be due to different organizational contexts, respondent characteristics, measurement methods, or unobserved intervening variables.

### **4.2.3. The Effect of Work Discipline on Employee Performance at Babat Toman Sub-district Office, Musi Banyuasin Regency**

The third hypothesis (H3) testing results show that Work Discipline has a positive and significant effect on employee performance. Therefore, the third hypothesis is accepted, indicating that increased work discipline directly impacts employee performance improvement at Babat Toman Sub-district Office. Work discipline is understood as compliance with regulations and provisions established by leadership to create orderly and productive work patterns. This finding is supported by Basalamah & Latief (2022) research showing that work discipline has a positive and significant effect on employee performance at the Investment Office of ESDM Transmigration of Gorontalo Province. Similarly, Ardhani & Ratnasari (2019) found similar results, confirming that discipline is a key factor driving performance improvement.

### **4.2.4. The Effect of Transformational Leadership on Work Discipline at Babat Toman Sub-district Office, Musi Banyuasin Regency**

The fourth hypothesis (H4) testing results show that Transformational Leadership has a negative and non-significant effect on Work Discipline. This means there is insufficient statistical evidence to conclude that transformational leadership style significantly impacts employee discipline improvement. The negative direction suggests that increased application of this leadership style may potentially decrease work discipline levels, although the effect is not significant. This finding contradicts previous research by Pardede & Indrawati (2020), Herawaty (2016), and Syafnilianti et al. (2016) who concluded that transformational leadership has

positive and significant effects on work discipline. This inconsistency shows that transformational leadership effectiveness is highly contextual and can be influenced by external and internal organizational factors.

#### **4.2.5. The Effect of Physical Work Environment on Work Discipline at Babat Toman Sub-district Office, Musi Banyuasin Regency**

The fifth hypothesis (H5) testing results reveal that physical work environment has a positive and significant effect on employee work discipline. This means that better physical work environment quality including cleanliness, comfort, security, and facility completeness leads to higher employee discipline levels. Well-managed physical work environments become crucial factors in building disciplined and productive work culture in government institutions. This finding aligns with Purnamarini (2022) research stating that physical work environment simultaneously contributes positively to employee work discipline at PT. Sumber Buana Motor. This similarity indicates that this phenomenon is general and applicable to various organization types, both public and private sectors.

#### **4.2.6. The Effect of Transformational Leadership on Employee Performance with Work Discipline as Intervening Variable**

The sixth hypothesis (H6) testing results show that Physical Work Environment has a negative effect on Employee Performance, but this effect is not statistically significant, so the third hypothesis is rejected. In the context of Babat Toman Sub-district Office, physical work environment does not significantly influence employee performance. Conversely, transformational leadership proves to have a positive effect on employee performance. However, this finding differs from several previous studies by Purnamarini (2022), Turnawan et al. (2024), Khanifah & Palupiningdyah (2015), and Aditya & Suharnomo (2017), which showed that transformational leadership significantly affects employee performance with work discipline as an intervening variable.

#### **4.2.7. The Effect of Physical Work Environment on Employee Performance with Work Discipline as Intervening Variable**

The results of testing the seventh hypothesis (H7) show that the physical work environment positively and significantly impacts employee performance by affecting work discipline as an intervening factor. Comfortable physical work environment with good air ventilation and adequate natural lighting creates healthy working conditions supporting employee comfort, which encourages high work discipline and ultimately improves overall performance. The results support the earlier studies conducted by Cahyaningsih (2020) and Siti & Palupiningdyah (2015), which highlighted the significance of the physical work environment in influencing performance by promoting work discipline in governmental settings.

## **5. CONCLUSIONS**

Based on data analysis results, this research concludes that transformational leadership and physical work environment do not significantly affect employee performance directly at Babat Toman Sub-district Office, Musi Banyuasin Regency. Although transformational leadership shows negative influence direction, the results are not significant on either performance or employee work discipline. Conversely, work discipline has been shown to have a beneficial impact on how well employees perform. Furthermore, the physical work environment also plays a positive role in work discipline, resulting in improved employee performance. Essentially, work discipline acts as a crucial mediator in the connection between the physical work environment and performance outcomes, but not in the link between transformational leadership and performance. These research findings indicate that employee performance improvement at Babat Toman Sub-district Office is more effectively achieved through physical work environment improvements that support discipline, so management needs to focus on creating comfortable and productive work atmospheres. Although transformational leadership does not show significant effects, evaluation and adjustment of leadership styles remain important to align with employee characteristics and organizational culture. This research has limitations making the results imperfect, so future research is recommended to add variables and use different objects to broaden understanding. Additionally, institutions are expected to continuously maintain work environment quality, implement transformational leadership, and improve work discipline fairly for optimal productivity, so these findings can serve as valuable references for future research and managerial practice.

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