



The Performance of Employees Influenced by Leadership Styles and Compensation

Muhamad Nanang Rifa'I; Sukidjo; Riyanto Efendi

Graduate Economic Education, Yogyakarta State University, Indonesia

<http://dx.doi.org/10.18415/ijmmu.v6i6.1243>

Abstract

The Employee performance is adjusted to the ability and culture of a company, good employee performance will have an impact on the company's performance. Employee performance is influenced by various factors such as leadership style and compensation. Then the purpose of this research is to determine the effect of leadership style and compensation on employee performance. The research methodology is causal-comparative with a quantitative approach. Respondents in this research were 40 employees taken by the total sampling technique. The data analysis method in this research uses multiple linear regression. The results of the research are as follows; 1) Leadership style has a positive and significant influence on employee performance, 2) Compensation has a positive and significant effect on employee performance, 3) Leadership style and compensation together affect the employee performance variable by 38.1% and by 61.9% influenced by other variables.

Keywords: *Employee Performance; Leadership Styles; Compensation*

JEL Classifications: J88, O3, M12, M52

1. Introduction

Employee performance is a component for a company to be successful, employee performance needed by the company is, of course, good employee performance and who have achievements in the field of work in accordance with their expertise. When a company has good employee performance it will support the company will succeed or not. According to Ardana et al (2012), human resources or employees are one of the determinants of a company's success with its roles ranging from planning, implementing and controlling various activities within the company.

Employee performance is influenced by various factors ranging from inside to outside. Internal factors such as motivation, while external factors such as compensation and leadership styles. Hasibuan (2017) states compensation is all income in the form of money, direct or indirect goods received by employees. Leadership style is a strategy or behavior to run a company, according to Thoaha (2005) leadership style is one of the success factors of a job, and leadership style is not limited by bureaucratic manners and goals set by a company.

The results of research conducted by Tampi (2014), found that leadership style positively and significantly affected employee performance. Rustilah findings (2018) that leadership style and compensation have a positive and significant influence on employee performance. While a different matter is shown by Riyadi (2011) that compensation has no influence on employee performance, while the leadership style has a significant effect on employee performance.

Based on these phenomena and findings it can be seen that the leadership style and compensation are related to employee performance. The purpose of this research was to determine the effect of leadership style and compensation on employee performance. so that they can contribute to the knowledge and decision making of company leaders in order to achieve good employee and company performance.

Employee Performance

Performance is the result of work achieved by a person in carrying out the tasks assigned to him based on skill, experience, and sincerity (Hasibuan, 2017). According to Luthans (2002) performance is the quantity and quality produced or services provided by someone who does the work. Meanwhile, according to Armstrong (1999: 95) performance is the result of work from someone's behavior in a job.

The factors that affect performance consist of five factors, according to Mahmudi (2005: 21), as follows: 1) Personal factors, 2) Team Factors, 3) System factors, 4) Contextual factors. According to Mangkunegara and Prabu (2005: 67) factors that affect performance are 1) Knowledge, 2) Skills, 3) Ability, 4) Motivation. While the indicators of performance according to Wirawan (2009: 80) are as follows: 1) Quantity, 2) Quality, 3) Efficiency, 4) Work discipline, 5) Accuracy, 6) Leadership, 7) Honesty, 8) Creativity, 9) Creativity.

Leadership Style

Leadership is the ability to influence a group towards the achievement of a goal that has been planned or set (Robbins, 2003). According to Kartono (2013) leadership style is an ability to give constructive influence to others or around to make a cooperative effort to achieve the planned goals.

Thus leadership is an attempt to direct or influence others by mobilizing available resources effectively and efficiently in the entire management process to achieve the desired goals. Leadership style indicators according to Kartono (2013) there are several indicators as follows: 1) Decision-making ability, 2) Motivating ability, 3) Communication skills, 4) The ability to control employees, 5) Responsibility, 6) The ability to control emotions.

Compensation

Compensation is something that is received by employees as a substitute for their service contribution to the company, giving compensation for the wrong task of human resource management in order to increase work satisfaction and employee performance. according to Rivai and Sagala (2010) compensation is all types of giving individual awards as a trade-in carrying out a work assignment. Providing appropriate compensation will increase job satisfaction of employees, according to Mobley (1982) the extent of compensation is a condition where expectations or wages or salaries are in accordance with the reality of compensation received by employees.

Meanwhile, according to Djati and Khusanaini (2003) compensation satisfaction is the level of employee fasting to pay both financially and non-financially received by employees. According to Rivai and Sagala (2010: 744), the components of compensation are as follows: 1) Salary, 2) Wages, 3) incentives, 4) indirect compensation. Indicators of compensation according to Lawler (1986) are as follows: 1) The amount that should be received, 2) Comparison obtained by others, 2) Not receiving compensation received by others, 3) The satisfaction of intrinsic and extrinsic rewards.

2. Research Framework and Hypothesis

The Influence of Leadership Style on Employee Performance

Leadership has a positive and significant effect on business and employee performance (Yildiz et al, 2014). Research conducted by Tampi (2014) and Rustilah (2018) found that leadership style has a positive and significant influence on employee performance. Research conducted by Babatunde and Emem (2015) found that leadership style has a significant relationship to employee performance to achieve organizational goals. The same thing was also found by Ali et al (2013) that leadership has a positive and significant effect on employee performance. So it can be concluded that the leadership style has a positive and significant effect on employee performance.

H₁: Leadership style has a positive and significant influence on employee performance.

The Effect of Compensation on Employee Performance

Research conducted by Golung (2013) found that compensation has a significant effect on employee performance. Research Umar (2010) found that compensation affects employee performance. According to Frye (2004) found that compensation has a positive and significant effect on employee performance. While different things found by Riyadi (2011) that compensation has no effect on employee performance. So it can be concluded that compensation has a positive and significant effect on employee performance.

H₁: Compensation has a positive and significant effect on employee performance.

Based on various theoretical explanations, research findings, and the development of hypotheses regarding employee performance influenced by leadership and compensation styles. Then the research framework is shown in Figure 1.

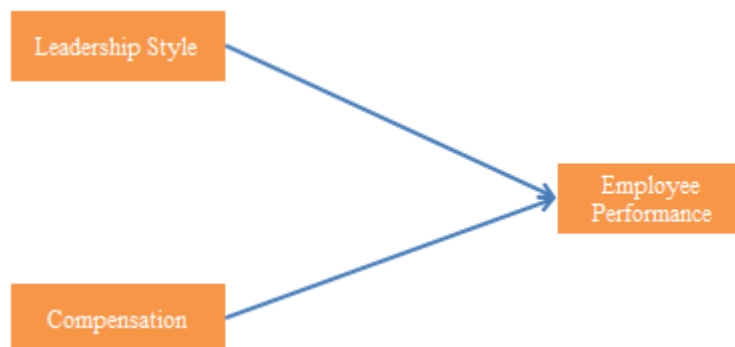


Figure 1. Research Framework

3. Methodology

This type of research is comparative causal research with a quantitative approach. Comparative causal research is research to investigate the possibility of a causal relationship based on observations of existing effects and re-search for facts that might be the cause through certain data. While the quantitative approach is data in the form of numerical data or qualitative data (Sugiyono, 2015: 7). The data analysis method in this research uses multiple linear regression. Population data in this research are employees who work at Yamaha Tegalrejo Yogyakarta. Data of all employees who work are as many as 40 employees so that all employees are subject to research because of less than 100 respondents (Arikunto, 2010: 112).

4. Results

Table 1 shows the result of the regression analysis of research data, with the results of the research as follows:

Table 1. Results of Regression Analysis

Variable	Koef. Regression (B)	T Statistic	Sig
Leadership Style	0.405	3.521	0.001
Compensation	0.450	4.480	0.000
Constant	30.141		
R	0.617		
R ²	0,381		
F Statistic	11.381		
Sig	0.000		

Source: Primary data processed

The Influence of Leadership Style on Employee Performance

Based on the results of the regression analysis, it is known that the leadership style influences employee performance, indicated by the regression coefficient value of 0.405. At a significance level of 5%, it was known that the t value was 3,521 with a significance of 0.001. With this result, the first hypothesis can be accepted that leadership style has a positive and significant influence on employee performance.

The Effect of Compensation on Employee Performance

Based on the results of the regression analysis, it is known that compensation affects employee performance, indicated by the regression coefficient of 0.450. At a significance level of 5%, it is known that the t value is 4,480 with a significance of 0,000. With this result, the second hypothesis can be accepted that compensation has a positive and significant effect on employee performance.

R Square Determination Coefficient (R²)

R Square determination coefficient is used to show how much percentage of leadership style and compensation variables together in influencing employee performance variables. The results of multiple regression analysis indicate that the coefficient of determination R² has a value of 0.381 or it can be said that 38.1% of employee performance is influenced by leadership style and compensation variables. While the remaining 61.9% is influenced by other variables not included in this research.

5. Discussion

The Influence of Leadership Style on Employee Performance

Based on the results of research that has been analyzed there is a positive and significant influence that leadership style on employee performance. This is indicated by the regression coefficient value of 0.405. At a significance level of 5%, it is known that the calculated value of t is 3,521 with a significance of 0.001. It can be concluded that the higher the leadership style, the higher the employee's performance. Conversely the lower the leadership style, the lower the employee's performance.

The results of this research supported the findings of Rustilah (2018) that leadership style has a positive and significant effect on employee performance. research conducted by Ali et al (2013), Yildiz et al (2014), and Tampi (2014) found leadership style to have a positive and significant effect on employee performance. The results of this research also support what Babatunde and Emen (2015) found that leadership style has a significant relationship on employee performance to achieve organizational goals.

The Effect of Compensation on Employee Performance

Based on the results of research that has been analyzed there is a positive and significant effect that compensation on employee performance. This is indicated by the regression coefficient value of 0.450. At a significance level of 5%, it is known that the t value is 4,480 with a significance of 0,000. It can be concluded that the higher the compensation the higher the employee's performance. Conversely the lower the student compensation, the lower the performance of employees.

The results of this research supported that found by Frye (2004) that compensation has a positive and significant effect on employee performance. The same thing was found by Golung (2013) and Umar (2010) that compensation has a significant effect on employee performance. While a different matter was found by Riyadi (2011) that compensation has no effect on employee performance.

R Square Determination Coefficient (R²)

The results showed that there was a significant effect on employee performance influenced by leadership style and compensation variables. This is indicated by the results of the test results with the F test that obtained the calculated F value of 11,381 with a significance value of F of 0,000 or $F < 0.05$. R Square determination coefficient is used to indicate how much percentage of the leadership style and compensation variables together in influencing employee performance variables. The results of multiple regression analysis indicate that the coefficient of determination R² has a value of 0.381 or it can be said that 38.1% of employee performance is influenced by leadership style and compensation variables. While the remaining 61.9% is influenced by other variables not included in this research.

Conclusion

Based on the results and discussion found in the research, it can be concluded that; 1) Leadership style has a positive and significant influence on employee performance, 2) Compensation has a positive and significant effect on employee performance, 3) Leadership style and compensation together affect the employee performance variable by 38.1% and by 61.9% influenced by other variables not included in this research. With limitations in this research could be a reference for further research in the future.

References

- Ali, A. S. A., Elmi, H. O., & Mohamed, A. I. (2013). The effect of leadership behaviors on staff performance in Somalia. *Educational Research International*, 2(2), 197-210.
- Ardana., Komang I., Mujiati N. W., & Utama I, W, M,. (2012). *Manajemen Sumber Daya Manusiia. Edisi Pertama*. Yogyakarta: Graha Ilmu.
- Arikunto, S. (2010). *Prosedur Penelitian Suatu Pendekatan Praktek (Edisi Revisi)*. Jakarta: Rineka Cipta.
- Armstrong, M. (1999). *Personální management*. Grada Publishing.
- Babatunde, O., & Emem, I. (2015). The impact of leadership style on employee's performance in an organization. *Public Policy and Administration Research*, 5(1), 193-206.
- Djati, S. P., & Khusaini, M. K. M. (2003). Kajian terhadap kepuasan kompensasi, komitmen organisasi, dan prestasi kerja. *Jurnal manajemen dan Kewirausahaan*, 5(1), 25-41.
- Golung, H. D. (2013). Relationship Between Compensation, Work Environment, Organizational Culture, and Employee Performance at Hotel Sedona Manado. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis dan Akuntansi*, 1(4).
- Hasibuan, M. S. (2017). *Manajemen dasar, pengertian, dan masalah*.
- Kartono, K. (2013). *Pemimpin dan Kepemimpinan, edisi pertama*. Jakarta: RajawaliPers.
- Mahmudi. (2005). *Manajemen Kinerja Sektor Publik*. Bandung: YKPN.
- Mangkunegara, A. P., & Prabu, A. (2005). Evaluasi kinerja sumber daya manusia. *Bandung: Refika Aditama*.
- Mobley, W. H. (1982). *Employee turnover: Causes, consequences, and control*. Addison-Wesley.
- Lawler III, E. E. (1986). *High-Involvement Management. Participative Strategies for Improving Organizational Performance*. Jossey-Bass Inc., Publishers, 350 Sansome Street, San Francisco, CA 94104.
- Luthans, F. (2002). The need for and meaning of positive organizational behavior. *Journal of Organizational Behavior: The International Journal of Industrial, Occupational and Organizational Psychology and Behavior*, 23(6), 695-706.
- Rustilah, S. (2018). Pengaruh Gaya Kepemimpinan Dan Kompensasi Terhadap Kepuasan Kerja Dan Kinerja Pegawai Tenaga Kontrak. *Journal of Management Review*, 2(2), 219-222.

- Riyadi, S. (2011). Pengaruh kompensasi finansial, gaya kepemimpinan, dan motivasi kerja terhadap kinerja karyawan pada perusahaan manufaktur di Jawa Timur. *Jurnal manajemen dan kewirausahaan*, 13(1), 40-45.
- Rivai, V., & Sagala, J. (2010). Manajemen Sumber Daya Manusia Perusahaan dari Teori ke Praktik.
- Robbin, M. (2003). *Perilaku Organisasi*. Jakarta: Salemba Empat.
- Sugiyono, P. (2015). Metode penelitian kombinasi (mixed methods). *Bandung: Alfabeta*.
- Tampi, B. J. (2014). Pengaruh Gaya Kepemimpinan dan Motivasi terhadap Kinerja karyawan pada PT. Bank Negara Indonesia, tbk (regional sales manado). *ACTA DIURNA KOMUNIKASI*, 3(4).
- Thoha, M. (2005). Perilaku organisasi konsep dasar dan aplikasinya. *Jakarta: Grafindo Persada*.
- Umar, G. (2010). The influence of compensation on performance of sales representatives of pharmaceutical companies based in ilorin–nigeria. *African Research Review*, 4(3).
- Wirawan. (2009). *Evaluasi Kinerja Sumber Daya Manusia: Teori, Aplikasi, dan Penelitian*. Jakarta: Salemba Empat.
- Yıldız, S., Baştürk, F., & Boz, İ. T. (2014). The effect of leadership and innovativeness on business performance. *Procedia-Social and Behavioral Sciences*, 150, 785-793.

Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>).