

An Affect of Leadership and Compensation towards Employee Performance

(Case of PT Mutu Prima Utama Employees in Jakarta)

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Abstract: This study aims to analyze the magnitude of the affect of leadership and compensation on the performance of PT Mutu Prima Utama employees both partially and together. This research is an explanatory research with a quantitative approach. The sample in the study was 43 respondents with a saturated sample method. Data collection techniques use observation techniques, questionnaires, and literature studies. The data analysis with multiple linear regression. The results showed that leadership and compensation were proven to positively and significantly affect the performance of PT Mutu Prima Utama employees partially or together, as for the impact of the contribution is strong at 54.1 percent.

Keywords: Leadership, Compensation, the Performance

Introduction

In facing industrial and technological developments that continue to change and grow more rapidly, readiness and effort are needed for every organization or company, not only in terms of mastering technology, but the most important thing is the driving element, namely human resources. The human element is the most important factor that supports the achievement of goals set by an organization effectively and efficiently, especially its role in every effort to realize every vision and mission of an organization or company. Apart from that, whether or not the implementation of activities in an organization is successful is determined by the extent to which the leader organizes and manages his subordinates well, so that employees are willing to work in accordance with achieving the desired goals. Meanwhile, employees also receive rewards or compensation as expected (Mentari, 2021). Human resources are one

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of the assets owned by every company or organization, used together with other resources in carrying out activities to achieve company goals. Human resources are an element that is always present in every company or organization. They are planners, actors and determinants of achieving organizational goals (Hizban, 2021).

The success of a good company or organization can, among other things, be measured by the success of a leader in bringing the organization he leads to be superior, productive and motivated to continue to develop performance and maintain it through a consistently conducive organizational climate, so that the hopes and desires of the organization are stated in the mission and vision can be realized. According to Amirullah and Budiyo Haris (2004, hal. 245), leadership is a someone who has the reference to give assignments, has the aptitude to convincing or influence other people (first-line level) through good relationship patterns for attain predetermined goals. Leadership is a determining factor in a company. The success or failure of a company in achieving a goal is influenced by a leader. A leader figure in a company can be effective if the leader is able to manage the company and influence the behavior of subordinates so that they want to work together in achieving company goals.

Leadership is sometimes understood as simply the power to move and influence other people. There are several factors that can move people, namely threats, rewards, authority and persuasion (Syahril, 2019). With threats, subordinates will be afraid and obey all orders from superiors. Then, by giving rewards, subordinates will be motivated by the achievements and rewards achieved. Leadership is a major problem in life and human life. Every human group definitely needs a reliable and responsible leader. To achieve maximum success, a correct leadership concept is needed. Specifically, the concept of leadership is very attached to every human person who leads a particular institution or organization. Can be viewed from various angles according to each person's specialization or interests. Therefore, leadership issues from time to time receive the attention of everyone, especially experts in their respective fields. It must be acknowledged that every human person has strengths and weaknesses, and so does a leader. A person can have certain advantages, but at the same time must also have weaknesses in other areas. Quality leadership principles are needed by every individual and organization (Brabandt, 2015/2016). F. Luthan (2008) stated that the success of a good organization can be measured by the success of a leader in bringing the organization he leads to be superior, productive and motivated to continue to develop performance and maintain it through a consistently conducive organizational climate, so that the hopes and desires of the organization as stated in the mission and vision can be realized.

A company operates by combining existing resources to produce products and services that can be marketed and can achieve goals in accordance with what the company expects. These

resources can be in the form of capital, people, or machines. If all these resources can be managed well, it will make it easier for the company to achieve its goals. Human resources can influence the efficiency and effectiveness of a company while designing and producing goods and services, monitoring their quality, marketing products, allocating existing human resources, and determining company goals. To encourage employee morale, it is necessary to have a mutually beneficial working relationship between the company and employees. Employees provide good performance for the progress of the company. In this case, researchers see that leadership factors will influence employee performance. Leaders can influence morale, job satisfaction, security, quality of work life and especially the level of achievement of an organization. Leadership abilities and skills in direction are important factors of manager effectiveness (Mazzetti & Schaufeli, 2022). If the organization can identify qualifications related to leadership, effective leaders will increase. If the organization can identify leader behavior, effective organizational leadership techniques, then the behavior of leaders can be studied.

Another factor is compensation. Providing compensation is very important for employees, because the size of the compensation is the result of the employee's own performance, so if the compensation system provided by the company is fair enough, it will encourage employees to do their work better and be more responsible for each task given by the company (Zalne, Albani, & Tanty, 2022). The objectives of compensation carried out by companies include, among others, to reward employees' hard work, ensure fairness among employees, retain employees, obtain higher quality employees and the compensation system must be able to motivate employees.

Employee performance assessment is the result of work both in quality and quantity achieved by someone in carrying out tasks according to the responsibilities given (Mangkunegara, 2017, hal. 22). Sedarmayanti (2018, hal. 260), revealed that performance is a translation of performance which means the results of the work of a worker, a management process or an organization as a whole, where the results of the work must be shown in concrete and measurable evidence (compared to predetermined standards). High employee performance implies an increase in efficiency, effectiveness, or higher quality of completing a series of tasks assigned to an employee in an organization or company. Husein Umar (2005, hal. 102), stated that employee performance can be measured by assessing: quality of work, employee honesty, initiative, presence, attitude, cooperation, reliability, knowledge of work, responsibility and use of time. So, in carrying out every task given to them, employees should pay attention to these things so that the tasks given can be completed well in accordance with what the company expects.

Problems regarding performance are problems that will always be faced by company management, therefore management needs to know the factors that influence employee performance, especially before the world was hit the Covid-19 pandemic has had a very significant impact on the Indonesian economy, starting from changes in world supply chains to a decline in foreign investment into Indonesia (Ministry of Investment/BKPM, 2021). Hereinafter, in terms of foreign investment (PMA), the decline in the industrial sector was influenced by the contraction that occurred in most industries. The deepest contraction occurred in the wood industry (-67.7 percent, YoY), followed by the non-metallic mineral industry (-47.0 percent, YoY), other industries (-46.3 percent), and the rubber and plastic industry (-40, 9 percent, YoY) (Kementerian PPN/Bappenas, 2021, hal. 36). This condition of course has a direct impact on the performance of PT Mutu Prima Utama and also its human resources who business supply and fulfill the need for processed wood products in the JABODETABEK area, Bandung, Cirebon, Pematang, Indramayu, Purworejo and other areas. The role of good and strong leadership is also very important to restore the impact of this pandemic in improving employee performance.

The factors that can influence employee performance will enable company management to adopt various appropriate policies, so that they can improve employee performance whereas in line with the company's expected goals. Factors that influence performance are effectiveness and efficiency. Authority (authority), discipline and initiative. The characteristics of people who have high performance are as follows (Mangkunegara, 2017, hal. 68): Have high personal responsibility, Dare to take and bear the risks they face, Have realistic goals, Have a comprehensive work plan and strive to realize their goals, Make use of feedback concrete feedback in all work activities carried out and looking for opportunities to realize plans that have been programmed. There are six indicators for measuring individual employee performance, namely (Robbins & Coulter, 2012, hal. 260): Quality, quantity, timeliness, effectiveness, and independence.

Based on the background description above, several problems can be identified, as follows: (1) centralized and dominant leadership gives rise to many conflicts of interest between subordinates; (2) the compensation received is still not in line with employee expectations; and (3) leadership is less serious about compensation arrangements so that employees often do not perform optimally at work. The limitations on leadership and compensation variables are related to employee performance in this case because these two variables are important in improving employee performance at PT Mutu Prima Utama. The purpose of conducting this research is to scientifically analyze the influence of leadership and compensation on the performance of employees PT Mutu Prima Utama. Meanwhile, the aim of this research is to analyze: (1) the great affect of leadership on the employee performance of PT Mutu Prima

Utama; (2) the big affect of compensation on the performance of employee performance of PT Mutu Prima Utama; and (3) the great impact from leadership and compensation together on the employee performance of PT Mutu Prima Utama.

Research Method

This research is explanatory research with a quantitative approach. Quantitative in the sense that statistical testing is carried out in this research, specifically measuring how much influence there is between the variables studied. Meanwhile, explanatory research is research that connects variables X and Y. According to Singarimbun and Effendi (1995, hal. 5) (1995:5), explanatory research is research that explains the relationship between research variables and testing hypotheses that have been previously formulated. Explanatory research is to test hypotheses between hypothesized variables (Sani & Maharani, 2013, hal. 180-181). In this research there is a hypothesis whose truth will be tested. The hypothesis describes the relationship between two variables, to find out whether or not a variable is associated with other variables, or whether or not a variable is caused or influenced by other variables. This research uses a survey research method, namely research that takes samples from the population and uses questionnaires as the main data collection tool. The survey method is used to obtain data from certain natural (not artificial) places.

The research instrument was developed based on the research construct consisting of the Leadership variable (X1) using 3 (three) dimensions, namely effectiveness, behavior and motivation which were derived through 15 (fifteen) statement items (Amirullah & Haris, 2004, hal. 244-277). The Compensation Variable (X2) uses 3 (three) dimensions, namely direct financial compensation, indirect financial compensation and non-financial compensation which is derived through 15 (fifteen) statement items (Rivai, Ramly, Mutis, & Arafah, 2015, hal. 542). The Performance Variable (Y) uses 5 (three) dimensions, namely work quality, work quantity, cooperation, responsibility and initiative which are derived through 15 (fifteen) statement items (Mangkunegara, 2017, hal. 75). Three alternative hypothesis in this study is stated as follows:

H1: There is a partial affect of Leadership variable toward Performance at PT Mutu Prima Utama

H2: There is a partial affect of Compensation variable toward Performance at PT Mutu Prima Utama

H3: There is a simultaneous affect of Leadership and Compensation variable toward Performance at PT Mutu Prima Utama

Researchers collect data, for example by distributing questionnaires, tests, interviews and so on. The population in this study were all operational level employees at PT Mutu Prima Utama, totaling 43 employee's, were all used as samples where according to Sugiyono (2018, hal. 126), saturated sampling or another term for census is where all members of the population are sampled.

The data analysis technique used in this research is a quantitative data analysis method. The data analysis tool used is SPSS (Statistical Package for Social Sciences) version 23.0 is a computer program used to analyze data with statistical analysis. This stage is carried out by exploring a combination of structures that have been defined in measuring the interrelationships between factors which allows the specification of a small number of dimensions (factors) that describe part of the original variable (Husain, Ardiansyah, & Fathudin, 2021). The research data that has been collected will then be analyzed using presentation of descriptive statistics, instrument quality tests including data validity and construct reliability, classic assumption tests and hypothesis verification through coefficient of determination tests, simultaneous tests, and individual parameter significance tests.

Result and Discussion

Quality of Test: Research Instruments

From yield output program from SPSS *Ve.23* it can be seen that (1) A recapitulation of data validity test results is presented:

Table 1: Recapitulation of Data Validity Tests

Item Number	Construct	r-Score	Construct	r-Score	Construct	r-Score	r-table	Yields
*ISt-1		0.691		0.635		0.489		valid
ISt-2		0.596		0.351		0.515		valid
ISt-3		0.391		0.514		0.397		valid
ISt-4		0.392		0.503		0.382		valid
ISt-5		0.642		0.473		0.540		valid
ISt-6		0.657		0.403		0.352		valid
ISt-7	Leadership (X1)	0.541	Compensation (X2)	0.514	Performance (Y)	0.623	0.300	valid
ISt-8		0.691		0.331		0.497		valid
ISt-9		0.519		0.436		0.459		valid
ISt-10		0.603		0.448		0.443		valid
ISt-11		0.618		0.437		0.552		valid
ISt-12		0.596		0.464		0.511		valid
ISt-13		0.680		0.440		0.463		valid
ISt-14		0.681		0.450		0.371		valid
ISt-15		0.309		0.570		0.594		valid

*ISt (abbv. of Item Statements)

Source: Output recapitulation from SPSS Program *Ver23*

Based on the output recapitulation from program that has been summarized in Table 1 above, all items in the Leadership (X_1), Compensation (X_2) and Performance (Y) variables produce a score that is greater than r-table (0.300), meaning that the item their respective statements are declared valid.

Table 2 Recapitulation of Instrument Reliability

Independent Variable	Cronbach's Alpha Score	Yield
Leadership (X_1)	0.856	Reliable
Compensation (X_2)	0.704	Reliable
Performance (Y)	0.748	Reliable

Source: Output recapitulation from SPSS Program Ver23

In addition (Table 2), the instrument reliability is stated to have good reliability for the variables Leadership (X_1), Compensation (X_2) and Performance (Y) with Cronbach's alpha scores of 0.856, 0.704 and 0.748 respectively, which produces a higher score is greater than 0.6, meaning that the construct or instrument in this research is declared very reliable.

Classic Assumption Tests

The One Sample Kolmogorov-Smirnov test can also be used for first classical assumption test i.e., the P-Plot Test with the same significance level, namely (α) = 0.05. The P-Plot test process is carried out by paying attention to the distribution of data (dots) on the Normal P-Plot of Regression Standardized Residual of the independent variables. The output program is viewed in Figure 1 below:

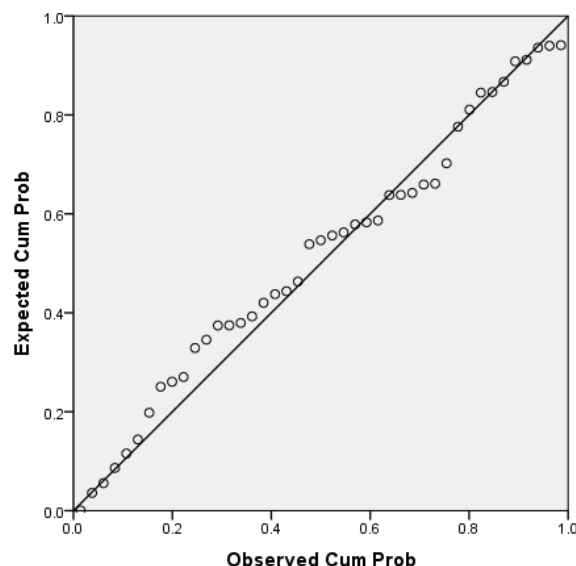


Figure 1 Normality Test with P-Plots

Source: Output SPSS Ver23

In Figure-1 P-Plot, it can be viewed that the points approach and follow the direction of the diagonal line, so it can be interpreted as normal data. Because all data is normally distributed, testing can continue.

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation to another. If the variance from the residual from one observation to another is constant, it is called homoscedasticity, if it is different it is called heteroscedasticity (Ghozali, 2018, hal. 134). Heteroscedasticity testing uses the Glejser method, namely a test that proposes to regress in residual absolute score on the independent variable.

Table 3 Heteroscedasticity Tests

Independent Variable	Probability Score	Yield
Leadership (X_1)	0.372	Significant
Compensation (X_2)	0.061	Significant

Source: Output SPSS Ver23

The probability score (Table 3) of Leadership is 0.372 and the probability score of Compensation is 0.061, which means it have a significance value greater than 0.05. Therefore, it can be inferred that there is no heteroscedasticity occurring in the research data.

Table 4 Multicollinearity Test

Independent Variable	Tolerance Score	VIF Score
Leadership (X_1)	0.628	1.592
Compensation (X_2)	0.628	1.592

Source: Output SPSS Ver23

The tolerance and VIF score (Table 4) of Leadership and Compensation, both of them are 0.628 (greater than 0.1) and 1.592 (less than 10). Therefore, no multicollinearity among the independent variables in the regression model.

Hypothesis Testing

After the three test yields fulfil the requirements of the classical assumptions, then hypothesis testing can be carried out which includes correlation and determination coefficient tests, simultaneous tests (F-test), and individual parameter significance tests (t-test).

Table 5 Correlation Coefficient (R) and Determination Coefficient (R^2)

R-Score	R^2 -Score	Conclusion of R and R^2 Yields
0.633	0.541	- The R score is asserted 'Strong' (in the interval 0.600 – 0.799) - R^2 Score: The contribution of Y is affected by X_1 and X_2 by 0.541

Source: Output from the Program (2022)

The correlation coefficient (R) and determination coefficient (R²) score (Table 5) are proceed to have a correlation coefficient (R) score of 0.633, meaning that the Leadership (X₁) and Compensation (X₂) variables have a strong level of relationship to employee performance at PT Mutu Prima Utama. The contribution of the Leadership and the Compensation variables is 0.541, it inferred that 54.1 percent are determined to impact employee performance at PT Mutu Prima Utama, the remaining 55.9 percent are impacted from another factor.

Table 6 Recapitulation of Simultaneous Test and Individual Parameter Significance Tests

Variable (affect signs)	Coefficient of Regression	.Sig	Conclusion Yields
<i>Constant</i>	48.666	0.000	
H1: Leadership → Performance	0.341	0.047	H1 Accepted
H2: Compensation → Performance	0.113	0.040	H2 Accepted
H3: Leadership and Compensation → Performance	-	0.000	H3 Accepted

Source: Output from the Program (2022)

Discussions

Regression analysis of the leadership variable of 0.341 states that for every addition of 1 point, there will be an increase in employee performance of 0.341, assuming the other variables have a fixed value. A positive coefficient means that there is a positive affect among leadership and employee performance. From the yields of computer calculations using the SPSS Ver23 program, it was obtained that it was $0.047 < 0.05$, so this variable has a significant affect on performance, so it can be inferred that there is a partial positive and significant affect of leadership on employee performance at PT Mutu Prima Utama.

Regression analysis of the compensation variable of 0.113 states that for every addition of 1 point, there will be an increase in employee performance of 0.113, assuming the other variables have a fixed value. A positive coefficient means that there is a positive affect among compensation and employee performance. From the yields of computer calculations using the SPSS Ver23 program, it was obtained that it was $0.040 < 0.05$, so this variable has a significant affect on performance, so it can be inferred that there is a partial positive and significant affect of compensation on employee performance at PT Mutu Prima Utama.

ANOVA analysis of the leadership and compensation variable from the yields of computer calculations using the SPSS Ver23 program, it was obtained that it was $0.000 < 0.05$, so it can be inferred that there is a significant affect of leadership and compensation on employee performance at PT Mutu Prima Utama simultaneously. The results of the R² analysis show that the affect of the leadership and compensation variable on employee performance is 54.1 percent. From these yields, it can inferred that employee performance is affected by

leadership and compensation factors, so that if a company wants to improve employee performance, the company must improve leadership and compensation more optimally. Based on the findings from the analysis, it can be seen which employee performance indicators play an important role in the performance of PT Mutu Prima Utama i.e, skills, abilities and work results.

Conclusions

From on the yields of research and discussions about the affect of leadership and compensation on the performance of PT Mutu Prima Utama , inferres can be drawn from this research, as follows: (1) There is a partial affect of Leadership variable toward Performance at PT Mutu Prima Utama; (2) There is a partial affect of Compensation variable toward Performance at PT Mutu Prima Utama; and (3) There is a simulaneeous affect of Leadership and Compensation variable toward Performance at PT Mutu Prima Utama, as for the impact of the contribution is strong at 54.1 percent. Company performance management needs to be improved with the existing leadership style in the company by involving more active employee roles so that it can bring out more work creativity in achieving more optimal company targets. Then, by increasing attention to the regulation of compensation for employees, it is hoped that employees will feel more appreciated for their work performance, ensure fairness in employee salaries, retain employees or reduce employee turnover, and obtain quality employees, in their efforts to achieve the targets the company wants to achieve.

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