

The Effect of Leadership Style and Compensation on Employee Performance in The Project Division at PT.Indomarco Prismatama Bandung Branch

Muhamad Nurul Aripin*, Muhamad Hapid, Agung Gunawan, Trie Ananda Savira, Sari Dewi Oktari

Undergraduate Program, Management Department, Faculty of Business and Management, Widyatama University, Bandung, Indonesia

*M.Nurul@widyatama.ac.id

ABSTRACT

This study aims to determine how much the influence of leadership style and compensation on the performance of the project division employees at PT.Indomarco Prismatama Bandung Branch. Variable tested in this study are leadership style and compensation as independent variables, while employee performance is the dependent variable. The research method used in this research is the verification method. The population in this study were employees of PT.Indomarco Prismatama Bandung Branch totaling 31 employees of the project division at PT.Indomarco Prismatama Bandung Branch. The sampling technique used in this study is a non-probability sampling technique with a saturated sample technique, so that the sample amounted to 31 employees of the project division at PT.Indomarco Prismatama Bandung Branch. The analytical method used in this research is multiple linear regression analysis. The results showed that leadership style and compensation have strong, moderate a moderate or weak effect on employee performance.

Keywords

Leadership style, compensation, employee performance

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Introduction

Along with the development of the business world, especially in Indonesia, the level of competition becomes more competitive. Therefore, it is important for the company to be able to increase the company's performance to be more effective and efficient. One important factor that needs to be considered is human resources. Human resources are an important asset that an organization must have in achieving organizational goals, therefore employees must be used as much as possible to achieve predetermined goals (Fathoni, 2015). Currently, many companies realize that human resources are the most important company problem, because it is through human resources that causes other resources in the company to function or run (Rivai & Sagala, 2015).

Human resources, in this case employees, are a source of company capital in achieving company goals. Therefore, it is important for companies to be able to manage and improve employee performance in order to achieve company goals. Employee performance is the result that is

produced by certain job functions or activities at certain jobs during a certain period of time, which shows the quality and quantity of the work (Bernardin and Russel, 2015: 270). But in fact, various cases regarding employee performance are often experienced by companies, such as PT.Indomarco Prismatama Bandung Branch. PT. Indomarco Prismatama is a national private company that manages the Indomaret mini market network with a notary deed No. 207, dated 21 November 1988 and SIUP No.789 / 0902 / PB / XII / 88 dated 20 December 1988. PT. Indomarco Prismatama is engaged in the business of trading goods / retail (mini market), the types of merchandise are agricultural products (agriculture, livestock), medicines, grocery, cosmetics, medical devices and others. In addition, holding joint ventures with communities and business entities that want to open a business in the trade sector (retail business) with a franchise system. Below will be presented data regarding the performance appraisal of project division employees at PT.Indomarco Prismatama Bandung Branch, which are as follows:

Table 1. Performance appraisal data for project division employees at PT.Indomarco Prismatama Bandung branch for the 2018-2019 period

Assessment Criteria	Weight (%)	Year			
		Achievement	2018 Score (%)	Achievement	2019 Score (%)
Cooperation	25	95	23,75	75	18,75
Job Skills	25	85	21,25	75	18,75
Work Quality	25	85	21,25	65	16,25
Work Quantity	25	80	20,00	60	15,00
Total	100		86,25		68,75

Source: Human Resource and Development

Based on Table 1 shows that in 2018 the percentage value of the performance of the project division employees at PT Indomarco Prismatama Bandung Branch was 86.25%, including in the good category. Meanwhile, in 2019, the percentage value of the project division's employee performance at PT.Indomarco Prismatama Bandung Branch was 68.75%, including in the unfavorable category. This shows that there is a decline in the performance of the project division employees at PT.Indomarco Prismatama Bandung Branch in 2018-2019. In addition, the results of the pre-survey show that the performance of the project division employees at PT Indomarco Prismatama Bandung Branch is still low. This is related to the lack of conformity with work completion with work targets and standards, the large number of jobs, time to complete work, management of company resources, and lack of employee initiative.

Based on the pre-survey results, it was found that One of the factors that can affect employee performance is leadership style shown by the leadership in the company. Leadership style is a behavioral approach based on the idea that the success or failure of a leader is determined by the attitude and action style of the leader concerned (Sutrisno, 2016). The results of the pre-survey show that the leadership style is still low as shown by the leadership in the project division that PT.Indomarco Prismatama Bandung Branch. This is related to the lack of involvement of employees in decision making, Kruang leaders provide motivation to employees, leaders are less clear in providing direction, and leaders sometimes get angry when they face work problems.

Leaders who succeed in influencing organizational results are leaders who have

successfully anticipated change, exploited extraordinary opportunities, motivated their followers to higher levels of productivity, improved poor performance and directed the organization to its goals (Robbins & Judge, 2015). Leadership as the ability to influence a group towards achieving the goals and objectives of the organization is a reflection of employee performance. Leadership style plays a big role in improving employee performance (Khairizah et al., 2017). Leadership that is shown and applied into a leadership style is one of the factors in increasing employee performance, because basically as the backbone of organizational development in encouraging and influencing good morale to subordinates, leaders need to think about and show the right leadership style in its application (Noer, 2020).

Apart from leadership style, compensation can also be a factor that can affect employee performance. Compensation is a reward received by employees as compensation for services provided which aim to attract, retain and motivate employees (Mondy & Noe, 2013). The results of the pre-survey show that the compensation provided by PT.Indomarco Prismatama Bandung Branch is still low. This is related to inadequate salaries, lack of incentives or bonuses, lack of career opportunities, and lack of rewards.

One way for management to increase employee motivation and performance is through compensation in return for their work (Mathis & Jackson, 2015). Compensation given must be given fairly and not far from employee expectations. If this can be fulfilled, employee satisfaction can be a trigger to improve performance. If the compensation is not provided on time, it will result in discipline, employee

attitude and morale. One of the compensation functions is that it can be a motivational factor for employees to work better. To get good compensation and it is hoped that the employees will work better. In theory the compensation given to employees is related and has a positive influence on employee performance (Nugraha & Tjahjawati, 2017).

Several previous studies related to this research such as research conducted by Khairizah et al. (2017) and Turunan (2017) show that leadership style affects employee performance. Research conducted by Nugraha and Tjahjawati (2017), Dwianto and Purnamasari (2019), the results of their research show that compensation has an effect on employee performance.

Literature Review

Leadership Style

Leadership is the ability to influence a group towards achieving a vision or set of goals (Robbins & Judge, 2015). Leadership style is a behavioral approach based on the idea that the success or failure of a leader is determined by the attitude and action style of the leader concerned (Sutrisno, 2016). Kartono (2014) states that the measurement of leadership style includes the ability to make decisions, the ability to motivate, the ability to communicate, the ability to control subordinates, responsibility, and the ability to control emotions.

Compensation

Compensation is a reward received by employees as compensation for services provided which aim to attract, retain and motivate employees (Mondy & Noe, 2013). Mondy and Noe (2013) divide compensation into 2 types, namely as follows:

1. Financial compensation consists of:
 - a. Direct financial compensation, namely payment received by someone in the form of:
 - 1) Salary
 - 2) Incentives or bonuses
 - b. Indirect financial compensation or benefits, namely all forms of financial compensation that are not included in direct financial compensation, such as:
 - 1) Insurance

- 2) Allowances
2. Non-financial compensation, including various forms of satisfaction received by someone from the job itself or in the form of:
 - a. Promotion opportunities
 - b. Recognition
 - c. Sense of secure
 - d. Award for achievement
 - e. Convenience

Employee Performance

Employee performance is the result that is produced by certain job functions or activities at certain jobs during a certain period of time, which shows the quality and quantity of the work. Bernardin and Russel (2015) state that employee performance indicators include work quality, work quantity, timeliness, cost effectiveness, need for supervision, and interpersonal relationships.

The Influence of Leadership Style on Employee Performance

Leadership is the ability to influence a group towards achieving a vision or set of goals. Leaders who succeed in influencing organizational results are leaders who have successfully anticipated change, exploited extraordinary opportunities, motivated their followers to higher levels of productivity, improved poor performance and directed the organization to its goals (Robbins & Judge, 2015). Leadership styles are patterns of behavior that a leader applies in working with others as prepared by others. The consistent behavior patterns referred to here are those that arise in people when they begin to respond in the same way under similar conditions and these patterns form behavior habits that are at least predictable for those who work with people (Derivatives, 2017).

The leadership style adopted by a leader in a company holds the main key in achieving a good work environment. In order to increase employee motivation carried out by the leader will have an impact on increasing employee productivity and performance, so that the main goals the company wants to achieve can be realized. Effective leadership is a leader who can adjust his leadership style according to the maturity level of

employees (Siswanto & Hamid, 2017). Leadership as the ability to influence a group towards achieving the goals and objectives of the organization is a reflection of employee performance. Leadership style plays a big role in improving employee performance (Khairizah et al., 2017). Leadership that is shown and applied into a leadership style is one of the factors in increasing employee performance, because basically as the backbone of organizational development in encouraging and influencing good morale to subordinates, leaders need to think about and show the right leadership style in its application (Noer, 2020).

The Influence of Compensation on Employee Performance

One way for management to increase employee motivation and performance is through compensation in return for their work (Mathis & Jackson, 2015). Compensation is an important factor for employees, because with compensation employees can meet their physiological needs. However, of course, employees also hope that the compensation they receive is in accordance with the sacrifices that have been given in the form of non-financial matters, which is also very important for employees, especially for their career development (Simamora, 2015).

Compensation given must be given fairly and not far from employee expectations. If this can be fulfilled, employee satisfaction can be a trigger to improve performance. If the compensation is not provided on time, it will result in discipline, employee attitude and morale. One of the compensation functions is that it can be a motivational factor for employees to work better. Compensation given to employees has a positive influence on employee performance (Nugraha & Tjahjawati, 2017). Compensation given to employees greatly affects employee performance, level. An organization that determines the level of compensation taking into account normal living standards, will allow employees to work with passion and motivation. Employee performance is much influenced by the level of compensation given to employees (Dwianto & Purnamasari, 2019). Compensation in this case is a reference to encourage better employee motivation, if the compensation they feel is right, it will arise from the employee to work better, vice versa. Providing compensation to employees is closely related to expectations of increased performance in a company or an organization (Sangkaen et al., 2019).

Below will be described a frame of mind as a form of researcher's thought flow, which is as follows:

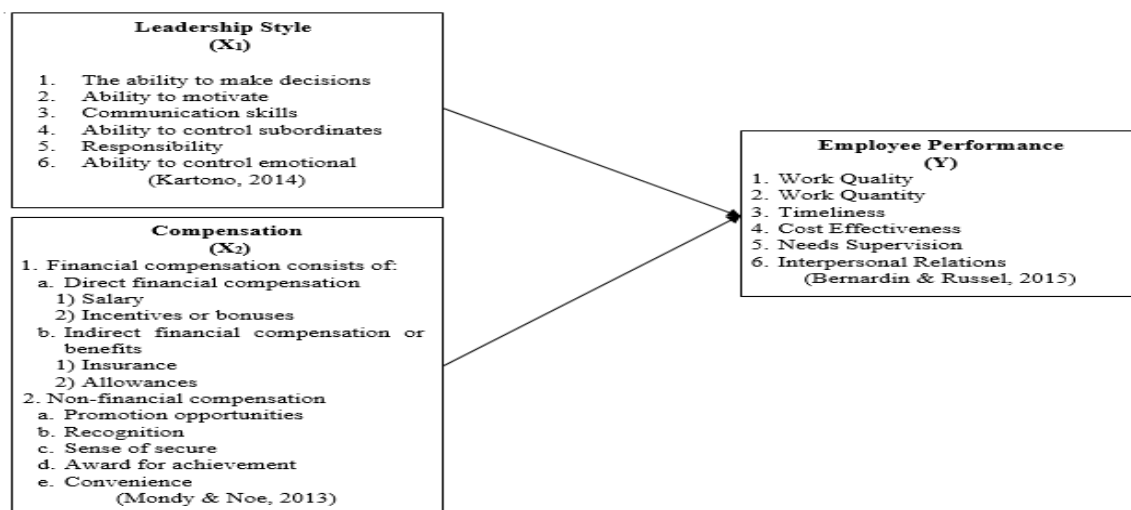


Figure 1. Framework

- H₁: Leadership style affects employee performance.
- H₂: Compensation affects employee performance.

- H₃: Leadership style and compensation have an effect on employee performance.

Methodology

Results and Discussion

This type of research is quantitative using the verification method. The population in this study were employees of the project division at PT.Indomarco Prismatama Bandung Branch, amounting to 31 people. The sampling technique is non-probability sampling technique with saturated sample technique, so that the sample is 31 employees of the project division at PT.Indomarco Prismatama Bandung Branch. Types and sources of data are primary data. The data collection technique is a questionnaire (questionnaire). The independent variable is leadership style and compensation, while the dependent variable is employee performance. The method of analysis is multiple linear regression analysis.

Table 1. Multiple linear regression

Model	Coefficient
(Constant)	0,474
Leadership Style	0,416
Compensation	0,444

Source: SPSS Output Results

$$Y = 0,474 + 0,416 X_1 + 0,444 X_2 + e$$

Based on Table 1, the regression equation shows that leadership style and compensation have a positive influence on employee performance. This means that the higher the leadership style and compensation, the higher the employee's performance, and vice versa.

Table 2. Partial hypothesis testing

Model	T Value	Prob. Value	Result
Leadership Style	2,515>2,048	0,018<0,05	H ₁ Accepted
Compensation	2,678>2,048	0,012<0,05	H ₂ Accepted

Source: SPSS Output Results

Based on Table 2, the results of partial hypothesis testing show that leadership style and

compensation have an effect on employee performance.

Table 3. Simultaneous hypothesis testing

Model	F Value	Prob. Value	Result
Leadership Style and Compensation	21,450>3,34	0,000<0,05	H ₃ Accepted

Source: SPSS Output Results

Based on Table 3, the simultaneous hypothesis testing results show that leadership style and compensation have an effect on employee performance.

Compensation	0,314	31,4%
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Source: SPSS Output Results

Based on Table 5, it shows that the magnitude of the influence of leadership style on employee performance is 29.1%, while the magnitude of the effect of compensation on employee performance is 31.4%.

Table 4. Simultaneous determination coefficient testing

Information	Value	Percentage
R-squared	0,605	60,5%

Source: SPSS Output Results

Based on Table 4, it shows that the influence of leadership style and compensation on employee performance is 60.5%.

Table 5. Partial determination coefficient testing

Information	Value	Percentage
Leadership Style	0,291	29,1%

The Influence of Leadership Style on Employee Performance at PT.Indomarco Prismatama Bandung Branch

The results showed that the leadership style had an effect on employee performance. The amount of influence of leadership style on employee performance is 29.1%. The results of this study are supported by the theoretical basis in the

previous discussion which states that leadership is the ability to influence a group towards achieving a vision or set of goals. Leaders who succeed in influencing organizational results are leaders who have successfully anticipated change, exploited extraordinary opportunities, motivated their followers to higher levels of productivity, improved poor performance and directed the organization to its goals (Robbins & Judge, 2015). Leadership styles are patterns of behavior that a leader applies in working with others as prepared by others. The consistent behavior patterns referred to here are those that arise in people when they begin to respond in the same way under similar conditions and these patterns form behavior habits that are at least predictable for those who work with people (Derivatives, 2017).

The leadership style adopted by a leader in a company holds the main key in achieving a good work environment. In order to increase employee motivation carried out by the leader will have an impact on increasing employee productivity and performance, so that the main goals the company wants to achieve can be realized. Effective leadership is a leader who can adjust his leadership style according to the maturity level of employees (Siswanto & Hamid, 2017). Leadership as the ability to influence a group towards achieving the goals and objectives of the organization is a reflection of employee performance. Leadership style plays a big role in improving employee performance (Khairizah et al, 2017). Leadership that is shown and applied into a leadership style is one of the factors in increasing employee performance, because basically as the backbone of organizational development in encouraging and influencing good morale to subordinates, leaders need to think about and show the right leadership style in its application (Noer, 2020). The results of this study are in line with research conducted by Khairizah et al. (2017), Derunan (2017), Siswanto and Hamid (2017), Shafie (2013) and Rathore et al. (2017). The results of his research indicate that leadership style affects employee performance.

The Influence of Compensation on Employee Performance At PT.Indomarco Prismaatama Bandung Branch

The results showed that compensation has an effect on employee performance. The amount of influence of compensation on employee performance is 31.4%. The results of this study are supported by the theoretical basis in the previous discussion which states that One way for management to increase employee motivation and performance is through compensation in return for their work (Mathis & Jackson, 2015). Compensation is an important factor for employees, because with compensation employees can meet their physiological needs. However, of course, employees also hope that the compensation they receive is in accordance with the sacrifices that have been given in the form of non-financial matters, which is also very important for employees, especially for their career development (Simamora, 2015).

Compensation given must be given fairly and not far from employee expectations. If this can be fulfilled, employee satisfaction can be a trigger to improve performance. If the compensation is not provided on time, it will result in discipline, employee attitude and morale. One of the compensation functions is that it can be a motivational factor for employees to work better. Compensation given to employees has a positive influence on employee performance (Nugraha & Tjahjawati, 2017). Compensation given to employees greatly affects employee performance, level. An organization that determines the level of compensation taking into account normal living standards, will allow employees to work with passion and motivation. Employee performance is much influenced by the level of compensation given to employees (Dwianto & Purnamasari, 2019). Compensation in this case is a reference to encourage better employee motivation, if the compensation they feel is right, it will arise from the employee to work better, vice versa. Providing compensation to employees is closely related to expectations of increased performance in a company or an organization (Sangkaen et al., 2019). The results of this study are in line with research conducted by Dwianto and Purnamasari (2019), Nugraha and Tjahjawati (2017), Sangkaen et al. (2019), Eguji et al. (2020) and Sharma et al. (2020). The results of his research show that compensation has an effect on employee performance.

Conclusion

Conclusion

Research on the influence of leadership style and compensation on employee performance in the project division at PT. Indomarco Prismatama Bandung branch that has been done and has been described in the previous chapter, the following conclusions can be drawn:

1. The leadership style in the project division at PT.Indomarco Prismasamatam Bandung Branch is said to be good with an average value of 3.55, compensation in the project division at PT.Indomarco Prismatama Bandung branch is good and employee performance in the project division at PT.Indomarco Prismatama Bandung branch is good. However, there are several factors that need to be corrected and considered because the value is below average
2. Based on the processed data, leadership style has a positive and significant effect on employee performance.
3. Based on processed data, compensation has a positive and significant effect on employee performance.

Suggestions

1. Improve leadership style by being wise and always considering before making decisions, asking for advice from employees in making decisions, supporting and motivating employees at work, showing a disciplined attitude to employees, explaining a clear and understandable job description, always wise in making every decision, and keeping emotions when an employee makes a mistake.
2. Increase the provision of compensation by increasing salaries in accordance with the Bandung UMR standards, providing bonuses or incentives, providing occupational or educational allowances, providing career opportunities, and giving awards either orally or in writing to employees who excel at work.
3. Improve employee performance by providing examples of professional attitudes at work and providing motivation to employees in completing work according to predetermined

targets and standards, providing the amount of work in accordance with employee limits and abilities, increasing a sense of responsibility for work, completing work with fast and on time, increase employee initiative with compensation so as to further motivate employee performance, and learn to be independent in solving problems at work.

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