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Leadership, Compensation, and Motivation as Determinants of Employee Performance: An Empirical Analysis

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ABSTRACT

The importance of understanding the factors that affect employee performance, considering that optimal performance is the main key in achieving organizational goals. Effective leadership, competitive compensation, and high motivation are considered the main variables that have the potential to improve employee performance. This study aims to analyze the impact of leadership, compensation, and motivation on employee performance in a company. This study uses a quantitative method with a survey approach. Data is collected through questionnaires distributed to employees from various departments in the company. Data analysis was carried out using multiple linear regression to identify the influence of each variable on employee performance. The results show that effective leadership has a significant positive impact on employee performance, followed by competitive compensation and high motivation. Leadership is proven to be the most influential factor in improving employee performance, while compensation and motivation also play an important role in supporting the achievement of optimal performance.

Keywords: Leadership, Compensation, Motivation, Employee Performance, Human Resources

INTRODUCTION

In today's highly competitive business environment, employee performance is a key element that affects the success of an organization. Companies that can optimize the performance of their employees often have a significant competitive advantage over their competitors. High-performing employees contribute to the achievement of organizational goals in a more effective and efficient way, influencing productivity, innovation, and the quality of services or products offered (Mulyeni & Herlina, 2023). Therefore, improving employee performance not only increases direct output but also contributes to customer satisfaction and the company's reputation in the market.

Additionally, good employee performance is closely related to other aspects of organizational management, such as leadership, compensation, and motivation. Effective leadership can create a work culture that supports and encourages employees to achieve their best results. Fair compensation and proper motivation also play an important role in motivating employees and retaining the best talent in the organization. By focusing on improving employee performance through integrated strategies, organizations can strengthen their position in the market, increase competitiveness, and achieve sustainable long-term growth.

Good leadership plays an important role in shaping the culture and work dynamics in an organization. An effective leader not only serves as a guide, but also as a role model and source of inspiration for employees. Leaders who are able to communicate clearly, set realistic goals, and provide constructive feedback can increase employee engagement (Sari, et,, al., 2020). Additionally, the ability of leaders to recognize and reward individual achievements, as well as address challenges facing teams, helps build trust and loyalty, which in turn improves team efficiency and productivity.

Furthermore, effective leaders create a supportive and empowering work environment for employees by providing the necessary resources, facilitating professional development opportunities, and creating an atmosphere open to innovation and creativity. By promoting employee involvement in the decision-making process and providing autonomy in the execution of tasks, leaders can increase their sense of responsibility and job satisfaction. This supportive work environment not only encourages employees to reach their best potential, but also creates synergy within the team that accelerates the achievement of organizational goals.

Compensation is one of the main tools used by companies to motivate employees and influence their performance. A fair and competitive compensation system includes a variety of elements, such as basic salary, benefits, bonuses, and other incentives. Adequate compensation not only reflects the value of the employee's work and contribution but also serves as a reward for their efforts and results of their work (Shobirin & Siharis, 2022). When employees feel that the compensation they receive is commensurate with their responsibilities and performance, they tend to be more satisfied with their work, which can increase their motivation and dedication to the tasks at hand.

In addition, competitive compensation also plays a role in increasing employee loyalty to the company. Employees who feel valued and recognized through attractive compensation packages are more likely to stay with the company and reduce turnover rates. High loyalty reduces costs related to recruiting and training new employees and maintains team stability. Thus, investing in an effective compensation system can result in increased productivity and overall performance of the organization, as satisfied and motivated employees will be more committed to achieving the company's goals.

Motivation is one of the main drivers that influence the way employees perform tasks and contribute to the organization. Internal motivation, which comes from within the individual, is often related to the need for personal achievement, satisfaction, and the desire to improve professionally. Internally motivated employees tend to have a stronger drive to face challenges, innovate, and achieve better results (Puspitasari & Dahlia, 2020). They feel that their work has meaning and purpose, so they are more committed to giving their best and completing tasks with dedication.

On the other hand, external motivation comes from external factors such as compensation, awards, and recognition. Incentives provided by the company, such as bonuses, salary increases, and rewards for achievements, can improve employee morale and performance. External motivation can reinforce internal motivation by creating an environment that supports and recognizes employee contributions. However, if it relies too much on external motivation, there is a risk that employees may lose motivation if those incentives are not present or inadequate. Therefore, a balance between internal and external motivation is essential to achieve optimal performance in the workplace.

This study aims to fill these gaps by analyzing the combined impact of leadership, compensation, and motivation on employee performance in a more integrated context. By understanding the complex relationship between leadership, compensation, and motivation, organizations can design more effective strategies to improve employee performance. This research is expected to provide valuable insights for managers and decision-makers in creating a productive and motivating work environment, as well as helping them develop policies that support the achievement of high performance in the workplace.

THEORETICAL BASIS

Employee Performance

Theories about employee performance include a variety of approaches that explain how and why individuals achieve certain levels of performance. One of the significant theories is Herzberg's Motivation Theory, which distinguishes between motivator factors and nurturing factors. Motivating factors, such as achievement, recognition, and responsibility, can increase job satisfaction and encourage employees to show better performance (Supriyono, 2021). On the other hand, maintenance factors, such as salary and working conditions, only prevent dissatisfaction and do not directly improve performance. By understanding and managing these two groups of factors, organizations can improve overall employee performance.

Employee performance refers to the extent to which an employee can complete the assigned tasks and responsibilities in accordance with the standards expected by the organization. This performance is often measured through various indicators such as work quality, quantity of work results, and compliance with deadlines (Priansyah, et, al., 2023). Employee performance appraisals can include a variety of aspects, including efficiency, effectiveness, and the ability to work together in a team. In addition to work results, employee performance also includes aspects of behavior and work attitudes. These include motivation levels, the ability to adapt to change, and attendance and discipline.

Employees who have a positive attitude and are able to adapt well tend to perform better, as they are better able to handle challenges and work productively in various situations. These factors contribute to the overall assessment of how effective employees are in carrying out their duties and responsibilities. (Fernos & Wipi, 2023) The importance of monitoring and evaluating employee performance lies not only in measuring work results, but also in developing potential and improving skills. By understanding employees' strengths and weaknesses, organizations can provide appropriate training and support to help them achieve optimal performance.

Leadership

Transformational Leadership Theory is one of the significant approaches to understanding leadership. (Hafidzi, et, al., 2023) This theory emphasizes the role of leaders in inspiring and motivating team members to achieve results that exceed expectations through a strong vision and passion. Transformational leaders focus on developing individual potential, creating inspiring work environments, and fostering innovation. They often use methods such as giving challenges, recognition, and rewards to motivate employees, thus creating sustainable positive change in the organization. This theory emphasizes that effective leadership involves arousing enthusiasm and commitment among team members to achieve a common goal.

Leadership refers to the process of influencing and motivating individuals or groups to achieve a common goal. A leader is tasked with setting direction, providing a vision, and inspiring team members to work toward those goals. Leadership is not just about giving orders or directing, but it's also about creating a supportive environment where team members feel motivated and engaged. Effective leadership requires skills in communication, decision-making, and conflict management, as well as the ability to build strong relationships and mutual trust with the team (Kirana & Pradipta, 2021).

Good leaders also serve as role models and sources of inspiration, influencing employee behavior and attitudes. They demonstrate leadership based on integrity, empathy, and responsibility, which encourages employees to follow in their footsteps. By setting a positive example and committing to the organization's values and goals, leaders can build a productive and harmonious work culture, as well as increase loyalty and job satisfaction among team members (Nurhasanah & Wahyuningsih, 2023). Leadership also involves the ability to adapt leadership styles to the team's situation and needs.

Compensation

Economic Balance Theory is one of the important approaches in understanding compensation. (Talo, 2022) This theory argues that compensation should be designed to reflect the economic value of the work performed. According to this theory, salaries and benefits should match the employee's contribution to the achievement of the organization's goals and should consider market standards as well as the organization's ability to pay. This theory emphasizes the importance of balancing the rewards given to employees and the value they add to the company. As such, fair and competitive compensation can help attract and retain top talent and motivate employees to achieve better performance.

Compensation refers to the total compensation received by employees in return for their work. It includes various elements, such as base salary, benefits, bonuses, and other incentives. A basic salary is a fixed amount paid periodically, while benefits can include health benefits, insurance, and other facilities that support employee well-being. Bonuses and incentives are usually given based on the achievement of outstanding performance or results, and aim to motivate employees to achieve certain targets or contribute more to organizational goals (Sumiatik, et, al., 2021). Effective compensation is designed to attract, motivate, and retain qualified employees.

A fair and competitive compensation structure is important to ensure that employees feel valued and treated well. In addition, compensation also plays a role in reflecting the organization's values and culture. Compensation packages can show how the organization values and supports employees, as well as how they value each individual's contribution. A transparent and fair compensation policy can build trust between management and employees, as well as strengthen positive working relationships. By integrating strategic compensation with business goals, organizations can create a productive and motivating work environment, which in turn can improve overall performance.

Motivation

The Motivation-Hygiene Theory by Frederick Herzberg provides important insights into motivation. (Dharma, et, al., 2020) Differentiate between motivating factors, which increase job satisfaction and promote high performance, and hygiene factors, which prevent dissatisfaction but do not motivate directly. Motivator factors include achievement, recognition, and responsibility, while hygiene factors include salary, working conditions, and company policies. According to this theory, organizations must ensure that hygiene factors are adequate to prevent dissatisfaction, while increasing motivators to motivate employees to achieve better performance. This theory emphasizes the importance of creating a balance between the two types of factors to improve overall motivation and job satisfaction.

Motivation is an internal or external impulse that influences an individual to take action or achieve a specific goal. This is the process that triggers, directs, and maintains employee behavior at work. Motivation can come from a variety of sources, including personal needs, the desire to achieve something, or environmental influences such as rewards and recognition (Hernawan & Hendratmoko, 2022). Once basic needs are met, individuals focus more on achieving higher needs, such as rewards, recognition, and personal development. Therefore, organizations that can meet these different levels of needs are better able to motivate their employees to achieve optimal results.

Motivation is also influenced by various situational and individual factors. For example, factors such as effective leadership, a supportive work environment, and opportunities for professional development can increase motivation. In addition, a managerial approach that involves employees in decision-making and provides positive feedback can strengthen motivation (Nabilah, et, al., 2020). By understanding and managing the factors that influence motivation, organizations can create a productive and motivating work culture, which in turn improves employee performance and satisfaction.

METHOD

This study uses a quantitative approach to analyze the impact of leadership, compensation, and motivation on employee performance. This study aims to measure the relationship between these variables by using numerical data and statistical analysis. This study uses a survey research design with data collection techniques through questionnaires. The questionnaire is designed to collect data related to employees' perceptions of leadership, compensation, motivation, and performance in the workplace. The population of this study consists of employees at PT. Sociolla Retail Indonesia Jakarta has 500 employees. The research sample was taken using a purposive sampling technique or random sampling, with the number of samples taken as many as 100 employees. The selection of the sample was carried out by considering the representativeness of all existing employees.

The data collected from the questionnaire will be analyzed using descriptive statistics to get an overview of the variables being studied. Furthermore, multiple regression analysis is used to test the simultaneous influence of leadership, compensation, and motivation on employee performance. Correlation analysis was also carried out to identify the strength and direction of the relationship between the variables. The results of the analysis will be interpreted to determine the significant impact of each variable on employee performance. With this method, it is hoped that the research can provide comprehensive insights into how leadership, compensation, and motivation affect employee performance in organizations.

RESULT

The Influence of Leadership on Employee Performance

The results of the partial hypothesis test show that the t-count value of 5.218 is greater than the t-table value of 1.960. In addition, the Significance probability value (Sig) is 0.000, which is smaller than the significance level of 0.05. Based on these results, the null hypothesis (H_0) was rejected and the alternative hypothesis (H_a) was accepted. This

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means that there is a positive and significant influence between leadership and employee performance. An R^2 value of 0.291 indicates that leadership has a contribution of 29.1% to employee performance variability. This means that leadership was able to explain 29.1% of the variation in employee performance, while the remaining 70.9% was influenced by other factors that were not included in this research model.

Based on these findings, organizations should focus on improving leadership aspects as one of the strategies to improve employee performance. Training for leaders to improve leadership skills, as well as create a supportive and motivating environment, can have a positive impact on employee outcomes. However, organizations also need to consider and manage other factors that contribute to employee performance to get a more complete picture and more effective strategies in improving performance. Overall, this study shows that while leadership has a significant influence, a holistic approach that takes into account the various factors that affect employee performance will be more effective in improving overall performance outcomes.

The Effect of Compensation on Employee Performance

The results of the partial hypothesis test showed that the t-count value of 4.725 was greater than the t-table value of 1.960. In addition, the Significance probability value (Sig) is 0.000, which is smaller than the significance level of 0.05. Based on these results, the null hypothesis (H_0) was rejected and the alternative hypothesis (H_a) was accepted. This means that there is a positive and significant influence between compensation and employee performance. An R^2 value of 0.413 indicates that compensation has a contribution of 41.3% to the variability of employee performance. This means that compensation is able to explain 41.3% of the variation in employee performance, while the remaining 58.7% is influenced by other factors that are not included in this research model.

These findings demonstrate the importance of designing and managing effective compensation packages as part of employee performance improvement strategies. Organizations should ensure that their compensation structure is fair, competitive, and commensurate with the contributions made by employees. However, to achieve optimal performance outcomes, organizations also need to identify and improve other factors that contribute to performance. This includes efforts to increase motivation, provide professional development opportunities, and create a supportive work environment.

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Overall, the study underscores that while compensation has a significant influence on employee performance, a more holistic approach that takes into account the various factors that affect performance will be more effective in improving overall performance outcomes.

The Effect of Motivation on Employee Performance

The results of the partial hypothesis test show that the t-count value of 2.784 is greater than the t-table value of 1.960. In addition, the Significance probability value (Sig) is 0.000, which is smaller than the significance level of 0.05. Based on these results, the null hypothesis (H_0) was rejected and the alternative hypothesis (H_a) was accepted. This shows that there is a positive and significant influence between motivation and employee performance. An R^2 value of 0.358 indicates that motivation has a contribution of 35.8% to the variability of employee performance. This means that motivation can explain 35.8% of the variation in employee performance, while the remaining 64.2% is influenced by other factors that are not included in this research model.

These findings emphasize the importance of creating a work environment that can motivate employees to achieve the best results. Organizations should focus on developing programs and policies that increase motivation, such as reward systems, recognition, development opportunities, and a positive work atmosphere. However, to improve overall performance, organizations also need to address other factors that contribute to performance. With a holistic approach, which includes various aspects of leadership, compensation, and motivation, organizations can achieve optimal employee performance. Overall, this study shows that although motivation has a significant impact on employee performance, in order to achieve maximum results, organizations need to consider and manage additional factors that affect employee performance comprehensively.

The Influence of Leadership, Compensation and Motivation on Employee Performance

The results of the hypothesis test simultaneously showed that the F-count value of 41.304 was greater than the F-table value of 2.67. In addition, the Significance probability value (Sig) is 0.000, which is smaller than the significance level of 0.05. Based on these results, the null hypothesis (H_0) was rejected and the alternative hypothesis (H_a) was accepted. This shows that there is a simultaneous positive and significant influence between Leadership, Compensation, and Motivation on Employee Performance. An

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Adjusted R^2 value of 0.551 shows that Leadership, Compensation, and Motivation contribute 55.1% to employee performance variability. This means that the three independent variables together can explain 55.1% of the variation in employee performance, while the remaining 44.9% is influenced by other factors that are not included in this research model.

These findings underscore the importance of a holistic approach to improving employee performance. Organizations need to manage and improve all three key factors of leadership, compensation, and motivation simultaneously to achieve optimal performance improvements. This approach involves developing effective leaders, drafting fair and competitive compensation packages, and creating a work environment that motivates employees. However, organizations must also pay attention to and address other factors that may affect performance, so that they can design a more comprehensive and effective strategy. However, to understand and improve employee performance as a whole, it is necessary to pay attention to other factors that were not examined in this study. A thorough and integrative approach will be more effective in achieving optimal performance results.

CONCLUSION

Based on the results of the research that has been described, it can be concluded that leadership, compensation, and motivation have a significant influence on employee performance. The results of the hypothesis test partially show that each variable, namely leadership, compensation, and motivation, individually makes a significant positive contribution to employee performance. This underscores the importance of every aspect in directly influencing employee work results. Good leadership, fair compensation, and strong individual motivation play a role in improving performance, although their contributions vary.

However, when these three factors are analyzed simultaneously, they contribute more to employee performance. The F test shows that leadership, compensation, and motivation together have a significant impact, explaining 55.1% of the variation in employee performance. This shows that a holistic and integrative approach, which considers all three variables simultaneously, is more effective in improving employee performance than considering each variable separately.

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Although the combined contribution of these three variables is quite significant, there is still 44.9% variation in employee performance that is influenced by other factors that are not studied in this research model. Therefore, organizations need to consider additional factors such as the work environment, organizational culture, and training in their performance management strategies. A holistic approach that involves these various elements will provide more optimal results in improving employee performance and achieving overall organizational goals.

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