# THE INFLUENCE OF COMPENSATION, LEADERSHIP AND MOTIVATION ON EMPLOYEE PERFORMANCE

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**Abstract:** The aim of this study is to develop a comprehensive model by measuring the influences of compensation, leadership and motivation on employee performance. This research applies descriptive research design using survey methods. Slovin formula is used to determine sample size. Sampling uses a disproportionate randomized model as a sampling technique. This study uses the SPSS version 18.00 to examine the significance of the overall predetermined model and framework. The findings show that partially compensation has a positive influence on employee performance, leadership has a positive influence on employee performance and motivation has a positive influence on employee performance. Further findings simultaneously compensation, leadership and motivation influence on employee performance.

**Keywords:** Compensation, Leadership, Motivation, and Performance

#### I. INTRODUCTION

Human resources are the most important assets and are the important of an institution's success in achieving its desired goals. No exception for institutions engaged in the service sector in the field of providing higher education or better known as college or university. A colleges also needs support of human resources that are reliable and able to support the achievement of a vision and mission that has been mutually agreed upon. Based on Law No. 12 of 2012 concerning Higher Education in article 1 paragraph (6) explained that Colleges are educational units that organize higher education. Higher education as in article 1 paragraph (2) is the level of education after secondary education which includes diploma programs, undergraduate programs, master's programs, doctoral programs, and professional programs, as well as specialist programs, which are organized by colleges based on Indonesian culture.

Institute of Economic Science (STIE) "X" is one of the private college in Indonesia in the form of higher education, managed by the Directorate General of Higher Education, STIE "X" must face challenges that are not easy and competition with other colleges. The position of the STIE "X" rankings according to Kemenristekdikti in 2015 ranked 97 out of 3320 colleges in Indonesia. Of course this is a good achievement for STIE "X", but if it compare to the vision targeted by STIE "X", the STIE "X" must always improve quality and competitive advantage to be able to compete with other colleges. The quality and grade of a college cannot be separated from the role active of STIE "X" employees, both educators and employee STIE "X" in improving the quality of students and supporting the quality of education so that it runs well.

According to the Department of Human Resources of STIE "X", the performance assessment of education personnel consists of aspects of attendance (25%), time of attendance (20%), DP3K (20%), timeliness of entry (25%), and sense of belonging (10%). Following is the performance of STIE "X"s teaching staff in the 2017/2018 school year 9% are in very good, and 49% of the performance are in good, then 30% of the performance are in standard and even the other 12% have work performance that is in needing improvement. Ideally, the performance level of either category should reach 80% or a range of 4 on a 5 scale. It can be concluded that the performance of STIE "X"s teaching staff is still not to be good, this can be seen from the

level of performance of the teaching staff which is in the good and very good category only 58% has not reached the ideal level of 80%.

The average late arrival at the office of STIE "X" employees during the 2018/2019 school year is quite high, which is between 26 minutes every day. In addition to being late, there are some employees who leave early than the time that has been set, which on average leaves 25 minutes earlier. The average absence of data, which is 9% each month. The high number of late arrival, leaving early and absenteeism is thought to be due to the lack of satisfaction felt by employees at STIE "X" so as to disrupt the achievement of organizational goals.

The low performance of STIE "X" education staff is related to the low compensation, leadership and motivation are obtained by STIE "X" employees. In this study the authors consider it necessary to analyze the influence of compensation, leadership, and motivation on employee performance.

# II. LITERATURE REVIEW

The development of Human Resources (HR) seeks to develop knowledge, experience, expertise, productivity, and employee satisfaction (Werner and Desimone, 2011:4). According to Price (2011:455), HR development is a strategic approach to investing in human Resources.

According to Dessler in Arif Ramdhani (2011:18) Performance is the willingness of a person or group of people to do activities and perfect them in accordance with their responsibilities with the results as expected. Moehariono (2012:2) states that performance is the level of achievement of the program implementation of activities or policies in realizing the goals, objectives, vision and mission of the organization as outlined through the strategic planning of an organization. While Suwatno and Donni (2013:196) state that performance is a performance of work result. Performance can also be interpreted as work achievement result or work implementation results or performance results. In addition, Anwar Prabu Mangkunegara (2014:9) states that employee performance is the work of quality and quantity achieved by an employee in carrying out their duties in accordance with the responsibilities given to him.

According to A. Dale Timple in Mangkunegara (2014:15), performance factors consist of internal and external factors. Internal factors are factors that are associated with the characteristics of a person, one of which is work discipline. While external factors are factors that affect the performance of someone who comes from the environment, one of which is leadership. Dimensions of performance according to Robbins, S.P can be described as follows (Robbins, 2012:155): Quantity of work, quality of work, and timeliness. Then Robbins (2012:156) also suggested indicators in evaluating employee performance, namely: Job performance, Achievement of targets, Skills, Satisfaction, Initiatives, Attendance Level of Obedience, and On time.

According to Hasibuan (2017:119), compensation is all income in the form of money, direct or indirect goods received by employees as a reward for services provided to the company. According to Handoko (2014:155), compensation is everything that employees receive as compensation for their work. Compensation programs are also important for companies, because they reflect the organization's efforts to maintain human resources. According to Wibowo (2016:271), compensation is the number of packages offered by organizations to workers in return for the use of their workforce. According to Nawawi (2011:314), compensation is an award / reward to workers who have contributed in realizing their goals, through activities called work. According to Nawawi (2011:316), compensation in this case can be categorized into two broad categories namely: Direct compensation and Indirect compensation. Mangkuprawira (2004:196) states that compensation means not only in financial terms, such as directly in the form of wages, salaries, commissions and bonuses and indirectly in the form of insurance, social assistance, leave, pension, education and so on, but also non-financial forms.

Good employee performance is very important in supporting the work result that is a burden and responsibility of an agency or company. Therefore, the provision of appropriate compensation is an obligation that must be implemented by the company to improve employee performance and work results as is expected. Financial compensation has a great influence on employee performance. The results of this study are in line with the results of the study of Hameed et al (2014) that compensation has a positive impact and influence on employee performance in the banking sector in Pakistan. In this study the authors propose the following hypothesis:

# H<sub>1</sub>: Compensation has a positive influence on the performance of STIE "X" employees

There are several definitions of leadership presented by experts, Gibson (2003: 68) states that leadership is an effort to use various types of influence that is not coercive to motivate members of the organization to achieve certain goals. Leadership is defined as a process of social influence in which leaders seek the voluntary participation of subordinates in an effort to achieve organizational goals (Kreitner and Kinicki, 2005: 299). Stonner (1996: 161) defines leadership as a process of directing and influencing work-related activities from group members. According to (Tampi, 2014) leadership style is a pattern of behavior that is designed in such a way as to influence subordinates in order to maximize the performance of their subordinates so that organizational performance and organizational goals can be maximized.

According to Robbins in Bryan Johannes Tampi (2014: 6) there are four types of leadership styles: Charismatic Leadership Style, Transactional Leadership Style, Transformational Leadership Style, and Visionary Leadership Style. Hasibuan (2016: 171) suggests 3 dimensions of leadership style, namely: Authoritarian Leadership, Delegative Leadership, and Participative Leadership.

Good leadership style is needed in order to be able to encourage the improvement of employee performance in Bantaeng District, Bantaeng Regency. As some previous studies support the results of this study including Mandey and Lengkong (2015) proving that leadership style has a positive effect on employee performance. The better the leadership style the employee's performance will increase, conversely the less good the leadership style the employee's performance will also decrease. The results of the study are in accordance with the research conducted by Wahyu Budi Pritanto (2016). The results of his research concluded that the transformational leadership style has a positive but not significant effect on employee performance. In this study the authors propose the following hypothesis:

H<sub>2</sub>: Leadership has a positive influence on the performance of STIE "X" employees

According to Hasibuan (2012:141), motivation comes from the Latin word movere which means encouragement or giving a driving force that creates the excitement of one's work so that they want to work together, work effectively, and are integrated with all their efforts to achieve satisfaction. Meanwhile, according to Robbins and Judge (2009:101), motivation is a process that explains the intensity, direction, and perseverance of an individual to achieve his goals. Hamzah B. Uno (2012:71) states motivation is one factor that also determines a person's performance, the size of the influence of work motivation on one's performance depends on how much intensity of motivation is given.

According to Anwar Prabu Mangkunegara (2011:100) there are several principles in motivating employee work including: the Principle of Participation, the Principle of Communication, the Principle of recognizing subordinates' share, the principle of delegating authority, and the Principles of paying attention. According to Wibowo (2011:162), dimensions and motivational indicators are as follows: The need to excel, the need to expand relationships, and the need to master something work.

Motivation is very important in improving employee performance so that it works according to the guidelines and responsibilities given by the company. According to Murty (2012) states the provision of motivation is one of the goals so that employees who are given motivation can work in accordance with work references and responsibilities so that company goals can be achieved well. This is confirmed by research Riyadi (2011). Wahyu Budi Priyanto (2016) concluded that motivation has a positive and significant effect on employee performance. In this study the authors propose the following hypothesis:

H<sub>3</sub>: Motivation has a positive influence on the performance of STIE "X" employees

### III. RESEARCH METHODOLOGY

According to Malhotra (2009: 89-1101), conclusive research is a study that aims to test specific hypotheses and test specific relationships that have been clearly defined. The research design used by the author in this study is conclusive research, with a type of descriptive cross-sectional descriptive research, and causal research. Data collection method used in this study is a quantitative research method using survey methods, namely conducting structured interviews with respondents using a questionnaire designed to obtain specific information. This research was conducted to determine the effect of one or more independent variables on the dependent variable

(dependent variable) which requires hypothesis testing with statistical tests on several groups of respondent characteristics. In this case, to find out the effect of compensation, leadership and motivation on performance.

Population according to Malhotra (2009: 364) is a combination of all elements that have a set of similar characteristics that includes the universe for the benefit of marketing research issues, so the population is not only people but also objects and other natural objects. The population in this study is permanent lecturers and STIE "X" employees. The sample is a portion of the population. The sample consists of a number of members selected from the population (Sekaran, 2011: 123). The sampling technique used is convenient sampling technique. In this study. Determination of the number of samples is determined using the Slovin formula.

$$n = N / (1 + (N \times e^2)) = 160 / (1 + (160 \times (0.05)^2)) = 160 / 1.4 = 114.28$$

By rounding up to 115 samples, but to meet the minimum quota Slovin sampling rounded up to 120 samples.

Data analysis methods is carried out in two stages, thera are questionnaire test to ensure the validity and reliability of the questionnaire as a research instrument, and hypothesis testing to analyze research data on hypotheses submitted in research. Inferential statistical techniques are used to test research hypotheses, with regression analysis and simple / multiple correlation with previously tested the analysis requirements through estimated tests for each simple and multiple regression and variant homogeneity test for variables indpendent.

#### **RESULT AND ANALYSIS** IV.

Profile of respondents, in this study is depicted in several categories as in the following, total respondents are 120 people, and demographics in this study are dominated by male as much as 63%, with ages from 41 to 50 years old as much as 43%, with married status as much as 85%, with last education of bachelor as much as 38%, whose spend money per month is below 5-9.9 million rupiah as many as 36%, and with work period of 5-10 years as much as 62%.

Validity and reliability tests were carried out for each variable used in the questionnaire before data analysis. The validity test results prove that all items have a Corrected item-Total correlation greater than r Table 0.361, then all question items are valid. The reliability test results also prove that all variables have a Cronbach Alpha value > 0.70 (Priyatno, 2010: 98). Furthermore, a descriptive analysis of each variable shows that all variables used, it appears that the majority of respondents gave consent, very few respondents denied the statements. Descriptive test results on the compensation variable of 6 indicators, there were 93 respondents chose the indicator "health benefits provided are appropriate when compared with my expectations of health benefits" as the most agreed statement. Leadership variable of 6 indicators, there are 54 respondents choose the indicator "my boss is able to increase the spirit of his subordinates". Motivational variables of the 6 indicators there are 56 respondents or 46.7% chose the indicator statement "I try to always be responsible for my work". Performance variable from 7 indicators, there were 91 respondents or 75.8% chose indicator statement "I never come late to the STIE "X" office" as the most agreed statement.

Variable	Coefficient	t.	Sig.
(Constant)	9.873	5.533	0.000
Compensation	0.339	2.400	0.018
Leadership	0.595	3.838	0.000
Motivation	0.247	2.341	0.021
F	25.645		0,000
Adjusted R	0,383		
R Square	0.399		

**Table 1 Multiple Linear Regression Tests** 

Based on Table 1, statistical test results using SPSS 18.00 obtained estimates of multiple linear regression functions as follows:

Y = 9,873 + 0,339 X1 + 0,595 X2 + 0,247 X3

From the regression equation can be described as follows:

- a) A constant of 9,873 means that if Compensation (X1), Leadership (X2), Motivation (X3) = 0, then the employee's performance is 9,873
- b) Compensation Coefficient (X1) = 0.339 means that there is a positive influence compensation so that if compensation increases then performance will also increase.
- c) Ledership coefficient (X2) = 0.595 means that there is a positive influence of leadership so that if leadership increases then performance will also increase.
- d) Motivation coefficient (X3) = 0.247 has a positive influence motivation so that when motivation increases then motivation will also increase.

Based on Table 1, the results of the calculation of multiple linear regression, compensationhas a value of Sig =  $0.018 < sig \alpha = 0.05$  and the value of t arithmetic = 2,400 > t table = 1,980 (df = nk (120 - 3) that is 117 and  $\alpha / 2$  (0.05 / 2) = 0.025) leadership has a value of Sig =  $0,000 < sig \alpha = 0.05$  and t count = 3,838 > t table = 1,980, and motivation has Sig = 0,021.  $< sig \alpha = 0.05$  and t count = 2,341 > t table = 1,980. The test results can be concluded that compensation, leadership, and motivation have a significant influence on employee performance.

Based on Table 1, the results of multiple linear regression calculations for the F test the Sig value of F = 0.000  $<\alpha = 0.05$  and the calculated F value = 25,645> F value of the table 2.69 (alpha = 0.05; (k = 3); (nk = 117) Can be concluded that Compensation, Leadership and Motivation simultaneously or jointly affect employee performance.

Based on table 1, it can be concluded that the adjusted determination coefficient (Adjusted R Square) is 0.383 or 38.3%. Adjusted R Square ranges from 0 - 1, with the greater the Adjusted R Square number, the stronger the relationship of the three variables in the regression model. It can be concluded that 38.3% of turnover intention variables can be explained by job stress, compensation and organizational commitment variables. While the other 61.7% difference is influenced or explained by other variables not included in this study.

#### **Research Discussion**

## The influence of Compensation on employee performance of STIE "X"

T test results for Compensation (X1) on Performance (Y) show the Sig value of 0.018 and t count shows of 2,400, and the Sig value is smaller than the probability value of 0.05 so that 0.018 < 0.05, and the t value is greater than t table (2,400 > 1,980), then the conclusion that can be explained is  $H_1$  is accepted and  $H_0$  is rejected. The conclusion is Compensation has a significant influence or positive relation on the performance of employee and permanent lecturers of STIE "X".

The results of this study are in line with the results of the study of Hameed et al (2014) that compensation has a positive impact and influence on employee performance in the banking sector in Pakistan. This study is in line with research Harita (2012) which shows that direct compensation affects on employee performance. This result is reinforced by the study of Sedarmayanti (2007) which states that compensation is everything received by employees as compensation for work that has been given to the company and is one of the company's ways to improve employee performance. If managed properly, direct compensation will help the company to achieve its goals, maintain, and take good care of employees. Conversely, without sufficient compensation, existing employees are very likely to have poor performance or even leave the company.

### The influence of Ledership on employee performance of STIE "X"

T test results for Leadership (X2) on Performance (Y) show the Sig value of 0.000 and t count shows of 3.838, and the Sig value is smaller than the probability value of 0.05 so that 0.000 < 0.05, and the t value is greater than t table (3.838 > 1,980), then the conclusion that can be explained is  $H_1$  is accepted and  $H_0$  is rejected. The conclusion is Leadership has a significant influence or positive relation on the performance of employee and permanent lecturers of STIE "X".

The results of this study are in accordance with previous researchers Nuraeni S, Mattalata and Abdul Syukur (2019), the result is that there is a positive and significant influence of leadership style on improving employee performance in Bantaeng District, Bantaeng Regency. The better the leadership style the employee's performance will increase, conversely the less good the leadership style the employee's performance will also decrease. This study prove that a good leadership style is needed in order to encourage employee performance

improvement in Bantaeng District, Bantaeng Regency. Other studies including Mandey and Lengkong (2015) conclude that leadership style has a positive effect on employee performance. Then, Widyawati and Oetomo (2014) whose research results show that leadership style has a significant effect on employee performance at PT. Darmanusa Maharani Fontana.

# The influence of motivation on employee performance of STIE "X"

T test results for Motivation (X3) on Performance (Y) show the Sig value of 0.021 and t count shows of 2,341, and the Sig value is smaller than the probability value of 0.05 so that 0.021 < 0.05, and the t value is greater than t table (2,341 > 1,980), then the conclusion that can be explained is  $H_1$  is accepted and  $H_0$  is rejected. The conclusion is motivation has a significant Influence or positive relation on the performance of employee and permanent lecturers of STIE "X".

These results are in accordance with research Riyadi (2011). Wahyu Budi Priyanto (2016) concluded that motivation has a positive and significant effect on employee performance. This can be interpreted that the higher the motivation of employees, it will improve employee performance. Other researchers including Juliningrum and Sudiro (2013) concluded that work motivation is able to contribute to employee performance. Kusuma and Al Musadieq (2017) prove that work motivation influences performance. Shalahuddin and Marpaung (2014) also found that work motivation had a positive and significant effect on employee performance. Then, Nurcahyani and Adnyani (2016) found that motivation had a positive and significant effect on employee performance.

### The variables that most influence on performance

Based on the test results that can be seen in Table 1 states that the variable that most influences on performance is the Leadership variable because it has a beta value of 0.501 and has a probability of sig. 0,000. This can be explained that the values of the Leadership indicators have a large influence on performance. Based on Table 1 above, we get the multiple linear regression equation model as follows:

$$Y = 9.873 + 0.595 X2$$

From this equation it can be described that the number 9,873 is a constant value indicating that if the independent variable is constant then the performance is 9,873. Leadership Coefficient of 0.595 shows that every increase of 1% Leadership will increase Performance by 0.595.

# **Managerial Implications**

Partially and simultaneously that the performance of the teaching staff of permanent lecturers and teaching support staff at STIE "X" is positively influenced by factors of compensation, leadership and motivation. To maintain employee performance so that it is always optimal, compensation in accordance with employee needs is a matter that must always be considered, because compensation will encourage employees to work better for the company so that company goals can be achieved more easily. The higher work motivation possessed by employees, the employee's contribution to the company will also increase. Leadership has a positive influence on employee performance by giving instructions or organizing employees to complete their work accompanied by giving various flexibility to employees to carry out their tasks within the established limits and procedures, so employees feel happy with the way the leader provide direction to achieve higher performance. High compensation, high work motivation and good leadership, employee performance will also increase.

# V. Conclusion

Based on the results of the research and discussion in the previous chapters, several conclusions can be made as follows:

1) The first hypothesis which states that compensation (X1) has a positive influence on performance (Y) "accepted" with t count = 2,400 > t table = 1,980, p = 0.018 < 0.05. The greater compensation will be the greater performance and the lower compensation will be the smaller performance.

- 2) The second hypothesis which states that Leadership (X2) has a positive influence on performance (Y) "accepted" with t count = 3,838> t table = 1,980, p = 0,000 < 0.05. The greater leadership will be the higher performance, the lower leadership will be the smaller performance.
- 3) The third hypothesis which states that Motivation (X3) has a positive influence on performance (Y) "accepted" with t count = 2,341 > t table = 1,980, p = 0.021 < 0.05. The higher motivation will be the higher performance, the lower motivation will be the lower performance.
- 4) The fourth hypothesis which states that Compensation (X1), Leadership (X2), and Motivation (X3) simultaneously influence on performance (Y) "accepted" with F count > F table obtained at  $\alpha = 0.05$  (F 0.05; (3); (117)). Thus obtained F count = 25.645 > F table = 2.68 and the probability of Sig. = 0,000 less than 0.05

### **Suggestion:**

Based on the above conclusions, it is recommended to the management of STIE "X":

- 1) Demographic respondent in this study is dominated by old employees aged 41-50 years as much as 43% and over 50 years as many as 22%, the age of the employee had entered the productive productive age. Therefore it is suggested that they have begun to rejuvenate, starting to recruit more productive young workers.
- 2) The results of correlation analysis between variables there is a level of correlation between motivation and low performance correlations supported by the results of the frequency descriptive analysis which shows that only 10.8 agree with the statement "I am always optimistic to be able to achieve success" this states that most of the other employees not optimistic to achieve success. Therefore it is recommended to develop a HRM strategy by recruiting energetic young workers who are highly motivated to advance through career development programs.

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