

THE EFFECT OF TRANSFORMATIONAL LEADERSHIP AND COMPENSATION ON EMPLOYEE PERFORMANCE THROUGH JOB SATISFACTION AS AN INTERVENING VARIABLE AT PT. ADI SATRIA ABADI IN YOGYAKARTA

Nur Wahidah ^{a*)}, Trias Setiawati ^{a)}

^{a)} Universitas Islam Indonesia, Yogyakarta, Indonesia

^{*)}Corresponding Author: nwahidah419@gmail.ac.id

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Abstract. This study aimed to determine whether there is a mediating effect of job satisfaction in the relationship between transformational leadership and compensation on employee performance at PT. Adi Satria Abadi in Yogyakarta. This study uses a quantitative method and uses a questionnaire as a method of data collection. The population of this study was 200 employees. The sampling technique was carried out using the census method on all employees in the production department with a sample size of 170 employees. The research analysis method used the t-test, F-test, simple and multiple linear regression analysis, and path analysis. The results of this study reveal that transformational leadership has a positive and significant effect on employee performance, compensation has a positive and insignificant effect on employee performance, transformational leadership has a positive and significant impact on job satisfaction, compensation has a positive and significant effect on job satisfaction, job satisfaction has a positive and significant impact on employee performance, job satisfaction can significantly mediate the relationship between transformational leadership and employee performance, and job satisfaction can significantly mediate the relationship between compensation and employee performance.

Keywords: Compensation; Employee Performance; Job Satisfaction; Transformational Leadership

I. INTRODUCTION

Employee performance is a measure of a company's success. Employee performance refers to the work results achieved by an individual in carrying out their tasks based on intelligence, effort, and opportunities[1]. Performance is a record of the results obtained from specific job functions or specific activities during a certain period [2]. Performance is the work results and work behavior that have been achieved in completing tasks and responsibilities given in a certain period of time[3]. Based on the discussed definition, employee performance can be summarized as the work results achieved by an individual in performing tasks or work according to the responsibilities given by their superiors and carried out within a certain period of time. Transformational leadership influences employee performance. Transformational leadership is defined as a leader who inspires their followers to set aside personal interests for the good of the organization and has a significant influence over their followers[4]. Meanwhile, transformational leadership involves employees committing to realizing the company's vision and goals together, challenging them to solve problems innovatively and decisively, develops potential, and leadership capacity through coaching, mentoring, and support[5]. Transformational leadership is a process whereby leaders give their followers increased morality and high

motivation[6]. From the definitions discussed, it is clear that transformational leadership is a leader who motivates or inspires employees to change themselves so they can work hard to achieve the company's goals together. Compensation affects employee performance. Compensation is all forms of financial returns, tangible services, and benefits obtained by employees as part of an employment relationship[7]. On the other hand, according to Kasmir, compensation is the remuneration given by the company to its employees, which can be financial or non-financial in nature[3]. Meanwhile, Panggabean defines compensation as a form of appreciation given to employees as a reward for their contributions to the organization[8].

Job satisfaction is the result of employees' perception of how well their job provides the things they deem important[9]. According to Robbins & Judge, job satisfaction is defined as an individual's general attitude towards their job, where they are required to interact with co-workers and supervisors, follow organizational rules and policies, and meet work standards[10]. Transformational leadership can influence employee performance through job satisfaction. Previous research by Hassanah, Feri et al., Liansah & Aulia, Arifin et al., and Asriani et al. has shown that transformational leadership has a positive and significant impact on employee performance through job satisfaction[11] [12] [13] [14] [15]. However, research by

Isrokin & Adriani, Zeindra & Lukito, and Hartanto et al. has yielded results indicating that transformational leadership does not affect employee performance through job satisfaction [16] [17] [18]. These findings suggest that transformational leadership can have both a positive and no effect on employee performance through job satisfaction. This study aims to prove whether transformational leadership has a positive and significant impact on employee performance through job satisfaction. In addition, compensation also affects employee performance through job satisfaction. Based on previous research findings, compensation has a positive and significant effect on employee performance through job satisfaction as demonstrated by Halizah, Efendi & Yusuf, Agustina & Sumartik, Sari et al., and Imanuel & Djawoto [19] [20] [21] [22] [23]. However, research conducted by Idris et al. and Sugiarti et al. has shown that compensation does not have a significant effect on employee performance through job satisfaction [24] [25]. Based on these research findings, it can be concluded that compensation for employee performance through job satisfaction has a positive and negative impact. This study aims to prove whether compensation has a positive and significant impact on employee performance through job satisfaction.

This research will focus on the employees of PT. Adi Satria Abadi (ASA). PT. ASA is one of the companies engaged in the leather industry, established in 1994. Despite its relatively young age, with determination, enthusiasm, and years of experience in the leather industry, PT. ASA has become a recognized company in the global leather industry. This is evidenced by its increasing production and marketing capacity, allowing it to export its products overseas. Based on this, the research aims to investigate the relationship between transformational leadership, compensation, and employee performance with job satisfaction as an intervening variable among the employees of PT. Adi Satria Abadi in Yogyakarta.

II. RESEARCH METHODS

This research utilized a quantitative method to test the relationship between variables. It was conducted at PT. Adi Satria Abadi in Yogyakarta is engaged in the leather processing industry. The sampling method employed nonprobability sampling with a census technique, and the research included 170 employees from the production division of PT. Adi Satria Abadi. A questionnaire was used to collect data for this research. Data analysis was facilitated using IBM SPSS software version 29, which involved simple linear regression, multiple linear regression, and path analysis.

III. REAULT AND DISCUSSION

In this section, the detailed results of a research study on the relationship between transformational leadership, compensation, and employee performance at PT Adi Satria Abadi Yogyakarta, with job satisfaction as an intervening variable, will be explained. A total of 135 out of 170 questionnaires distributed were returned for the study, indicating a response rate of 79.41%. Here are the results of the study:

Influence of Transformational Leadership and Compensation on Employee Performance

The results of the regression analysis of transformational leadership and compensation on employee performance are presented in Table 1 below:

Table 1. Results of Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,978	0,348		5,689	<.001
	Transformational Leadership	0,353	0,109	0,360	3,237	0,002
	Compensation	0,160	0,122	0,146	1,311	0,192

a. Dependent Variable: Employee Performance

Based on the analysis above, the influence of transformational leadership on employee performance yields positive and significant results with a significance value of $0.002 < 0.05$. Meanwhile, the influence of compensation on employee performance shows a positive yet not significant impact with a significance level of $0.193 > 0.05$.

The Influence of Transformational Leadership and Compensation on Job Satisfaction

The results of the regression analysis of transformational leadership and compensation based on the level of job satisfaction are shown in table 2 below:

Table 2. Results of Multiple Linear Regression Test II

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,616	0,221		2,794	0,006
	Transformational Leadership	0,186	0,069	0,207	2,689	0,008
	Compensation	0,635	0,077	0,631	8,193	< 0,001

a. Dependent Variable: Job Satisfaction

Referring to Table 2, the influence of transformational leadership on job satisfaction has a significance level of 0.008 which means it is less than 0.05, so it is stated that transformational leadership has a positive and significant effect on job satisfaction. The same results were also obtained for the compensation variable on job satisfaction which stated that compensation had a positive and significant effect on job satisfaction with a significance level of less than 0.001. The findings of this study are in line with the research conducted by Yusuf stating that transformational leadership has a positive and significant effect on job satisfaction [26]. Previous research conducted by Nugroho et al. provided the results that compensation had a positive and significant effect on job satisfaction. The use of SPSS analysis tools and compensation and job satisfaction variables are similar to this study [27].

The Influence of Job Satisfaction on Employee Performance

The following are the results of a simple linear regression analysis on the variable of job satisfaction on employee performance presented in Table 3, as follows.

Table 3. Results of Simple Linear Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,792	0,312		5,742	< 0,001
	Job Satisfaction	0,585	0,080	0,537	7,334	< 0,001

a. Dependent Variable: Employee Performance

The results of the simple linear regression test indicate a significance value of less than 0.001, which means it is smaller than 0.05, and a coefficient (B) value of 0.585. The research findings show that job satisfaction has a positive and significant impact on employee performance at PT. Adi Satria Abadi.

The Influence of Transformational Leadership and Compensation on Employee Performance Through Job Satisfaction as an Intervening Variable

This study uses path analysis to determine the influence of transformational leadership and compensation on employee performance through job satisfaction as an intervening variable. The first step that needs to be done is to conduct a regression analysis of transformational leadership on job satisfaction and a regression analysis of transformational leadership and job satisfaction on employee performance. The following are the results of the regression analysis calculation:

Table 4. Results of Transformational Leadership Regression on Job Satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,421	0,242		5,878	< 0,001
	Transformational Leadership	0,599	0,058	0,666	10,283	< 0,001

a. Dependent Variable: Job Satisfaction

The results of the regression analysis above show a standardized coefficient beta value of 0.666 which acts as P2(a). Next are the results of the regression analysis of transformational leadership and job satisfaction on employee performance which are presented in Table 5 as follows:

Table 5. Results of Regression of Transformational Leadership and Job Satisfaction on Employee Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,552	0,330		4,697	< 0,001
	Transformational Leadership	0,193	0,095	0,196	2,027	0,045
	Job Satisfaction	0,442	0,106	0,406	4,189	< 0,001

a. Dependent Variable: Employee Performance

The results of the regression analysis above show the standardized coefficient beta value on the transformational leadership variable, which is 0.196 as p1(c) while on the job satisfaction variable, it is 0.406 as p3(b). Based on the results of the regression analysis, the following researcher presents a path analysis image:



Figure 1. Analysis of Transformational Leadership Path to Employee Performance through Job Satisfaction

Based on the two regressions above, there is an indirect influence of transformational leadership on employee performance through job satisfaction calculated by multiplying the path X1 to Y with the path Z to Y, thus obtaining $0.599 \times 0.442 = 0.264$. This study uses the Sobel test to test the effect of transformational leadership on employee performance through job satisfaction as an intervening variable. Therefore, it is important to know the standard error value of the indirect effect to calculate the t-count with the following formula:

$$Sab = \sqrt{b^2sa^2 + a^2sb^2 + sa^2sb^2}$$

$$Sab = \sqrt{0,406^2 0,058^2 + 0,666^2 0,106^2 + 0,058^2 0,106^2}$$

$$Sab = 0,074$$

Then conducting a test between the t-count value and the t-table value is used to test the significance of the indirect effect. The effect is considered significant if the t-count value is greater than the t-table value. The formula used to calculate t-count is as follows:

$$t\text{-count} = \frac{0,666 \times 0,406}{0,074}$$

$$t\text{-count} = 3,654$$

From the calculation results, it is known that the t-count value is greater than the t-table value ($3.654 > 1.977$), so it can be concluded that the job satisfaction variable as a mediator of the relationship between transformational leadership variables and employee performance is significant with an influence value of 0.264. The results of this study are in line with previous research conducted by Hassanah by obtaining the results that transformational leadership has a significant effect on employee performance through job satisfaction [11].

To determine the effect of compensation on employee performance through job satisfaction as an intervening variable, this study uses path analysis. The initial stage that can be done is to conduct a regression analysis of compensation on job satisfaction and a regression analysis of compensation and job satisfaction on employee performance. The following are the results of the regression analysis calculation:

Table 4. Compensation Regression Results on Job Satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,787	0,216		3,640	< 0,001
	Compensation	0,786	0,054	0,781	14,438	< 0,001

a. Dependent Variable: Job Satisfaction

Referring to the results of the analysis above, it is known that the regression of compensation variables on job

satisfaction shows a standardized coefficients beta value of 0.781 as P2(a). Next are the results of the regression analysis of compensation and job satisfaction on employee performance presented in the following table:

Table 5. Regression Results of Compensation and Job Satisfaction on Employee Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,822	0,335		5,434	< 0,001
	Compensation	-0,032	0,129	-0,029	- 0,248	0,805
	Job Satisfaction	0,610	0,128	0,559	4,754	< 0,001

a. Dependent Variable: Employee Performance

The findings above state that the standardized coefficient beta value obtained is -0.029 as P1(c) and the standardized coefficient beta value on job satisfaction is 0.559 which is P3(b). The following is a description of the path analysis:

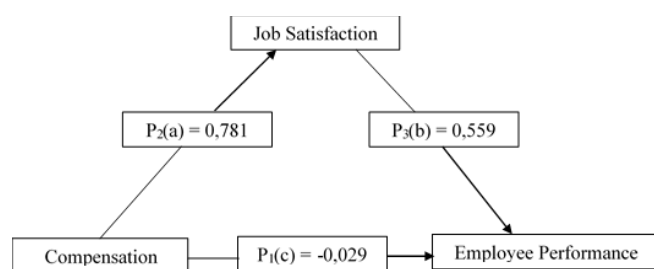


Figure 2. Compensation Path Analysis on Employee Performance through Job Satisfaction

Furthermore, the indirect effect of compensation on employee performance through job satisfaction can be calculated using multiplication of the X2 path against Z and the Z path against Y, thus obtaining $0.786 \times 0.610 = 0.479$. To find out the influence of compensation on employee performance through job satisfaction as an intervening variable, this study uses the Sobel test. So, it is important to know the standard error value of the indirect effect to calculate the t-value using the following formula:

$$Sab = \sqrt{b^2sa^2 + a^2sb^2 + sa^2sb^2}$$

$$Sab = \sqrt{0,559^2 0,054^2 + 0,781^2 0,128^2 + 0,054^2 0,128^2}$$

$$Sab = 0,104$$

Then, the significance of indirect influence can be done by comparing the calculated t-count value and the t-table value. The following is the formula used to calculate the calculated t value.

$$t\text{-count} = \frac{ab}{sab}$$

$$t\text{-count} = \frac{0,781 \times 0,559}{0,104}$$

$$t\text{-count} = 4,197$$

Based on the calculation above, the result of the calculated t-count value is greater than the t-table value ($4.197 > 1.977$). Thus, it can be concluded that the job satisfaction variable is a

mediator between the compensation variable and the employee performance variable with an influence value of 0.479 which means that there is a mediating influence of job satisfaction in mediating the relationship between compensation and employee performance.

IV. CONCLUSIONS

The findings of this study provide results that transformational leadership has a positive and significant effect on employee performance, compensation has a positive and insignificant effect on employee performance, transformational leadership has a positive and significant effect on job satisfaction, compensation has a positive and significant effect on job satisfaction, job satisfaction has a positive and significant effect on employee performance, job satisfaction can significantly mediate the relationship between transformational leadership and employee performance, and job satisfaction can significantly mediate the relationship between compensation and employee performance. The limitations of this study are that there are still 78.4 percent of variables that are contributions from other variables that are not explained in this study that can affect employee performance. In addition, there are 37.5 percent influenced by other variables that are not used in this study that can affect job satisfaction. Therefore, further research is expected to consider other variables that can have a greater impact on the dependent variable.

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