

# Compensation, Leadership Style, and Employee Performance: A Case Study at PT Semen Baturaja (Persero) Tbk

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**Abstract**—This study aims to determine the effect of compensation and leadership style on employee performance at PT. Semen Baturaja (Persero) Tbk. The population in this study were 758 employees of PT Semen Baturaja (Persero) Tbk. By using proportional random sampling technique, the number of samples that will be respondents in this study is 100 people. The results of the research showed that compensation significantly influence employee performance. While the leadership style does not significantly influence employee performance. Compensation and leadership style simultaneously have a significant effect on employee performance. Future research can be carried out in larger analytical units, such as several public and private companies. Addition of several variables can also be done to find out other factors that affect employee performance.

**Keywords:** *compensation, leadership style, employee performance*

## I. INTRODUCTION (BACKGROUND)

Humans are a very important resource in a company to achieve company goals. The company was founded with the hope of being able to operate at a high level and to be able to continuously improve the performance of its employees. Employee performance will have an impact on the employee concerned, as well as the company where he works. The management or leader in a company has a role in facilitating employees in completing tasks given by the company to achieve company goals, not only facilitating but also supporting and encouraging employees to take initiatives and calculate risks [1].

Someone who leads a group of individuals is called a leader. Leadership is a process of directing and giving influence to the activities of a group of members who are interconnected with their duties [2]. One way to be able to realize the objectives of the company is by applying a good, reliable leadership style, providing high morale and directed work and by the basic functions of management that result in increased employee performance.

Another factor that can affect employee performance is compensation. Compensation is an important factor and is a concern for many organizations in maintaining and attracting quality human resources. Various organizations compete to obtain quality human resources because the quality of the work is determined by the competencies of human resources [3]. Leadership and compensation are one of the factors that influence the effectiveness of human resources owned by the company [4]. Research on the effect of compensation and leadership style on performance is still relatively limited in State-Owned Enterprise (SOE), particularly in South

Sumatra. Attracted by this title because of one of the SOEs namely PT. Semen Baturaja (Persero) Tbk showed a declining 2018 performance, where the company's profit dropped 48.12% compared to 2017 [5]. This phenomenon is the basis for why this research was conducted at PT. Semen Baturaja (Persero) Tbk. This study aims to determine the effect of compensation and leadership style on employee performance at PT. Semen Baturaja (Persero) Tbk.

## II. LITERATURE REVIEW

### A. Employee Performance

According to Mathis and Jackson employee performance that is common to most jobs includes elements namely quantity of results, quality of results, timeliness of attendance results and ability to work together. It further provides a standard of performance seen by the quantity of output, the quality of the output, the duration of the output, the presence at work and the cooperative attitude [6].

The employee's individual abilities include talents, interests and personality factors. Skill level is the raw material an employee has in the form of knowledge, understanding, ability, interpersonal skills and technical skills. Thus, it is likely that an employee will have good performance, if the employee has a good level of skill then the employee will produce good performance [6].

The business that is expended from employees for the company is work ethics, attendance and motivation. The level of effort is a picture of motivation shown by employees to get the job done well. From that, even if employees have the level of skills to do the job, but will not work well if only a little effort. This is related to the difference between the level of skills with the level of effort. The level of skill is a mirror of what is done, while the level of effort is a mirror of what is done.

In organizational support, the company provides facilities for employees essentially what employees do or don't do. Employee performance is what influences as much as they contribute to the organization [7].

There are several indicators to measure employee performance individually, namely work quality, the quantity of work, timeliness, and work effectiveness [7].

### B. Compensation

According to Dessler, employee compensation is all forms of payment or rewards are given to employees and emerge from their work [7]. The purpose of compensation is

to help the organization achieve strategic success while ensuring internal and external justice.

Each company has different indicators in the process of providing compensation to employees. In general, there are several indicators of compensation, namely wages, benefits and facilities. Previous research conducted by Hameed et al. [10] and Njoroge et al [11] showed that there was a significant relationship between compensation and employee performance.

**C. Leadership Style**

An approach that can be used to understand the success of leadership, namely by focusing on what is done by the leader. So what is meant here is the style. Leadership style is the norm of behavior used by someone when that person tries to influence the behavior of others or their subordinates [8]. Leadership style in organizations is needed to describe a conducive work environment and build a motivational climate for employees so that it is expected to improve optimal performance.

Based on the definition of leadership style above it can be concluded that leadership is a person's ability to direct, influence, encourage, and control other people or subordinates to be able to do any work on their consciousness and voluntarily in achieving a certain goal.

**D. Theoretical Framework and Hypothesis**

The framework used in this study can be seen in the figure below:

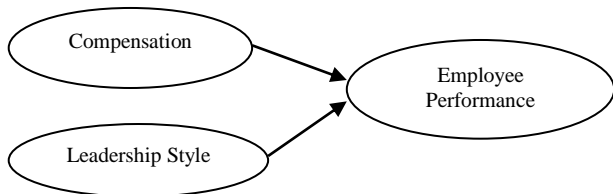


Fig 1. Research Framework

The hypotheses in this study are:

1. Compensation has a significant effect on employee performance,
2. Leadership style has a significant effect on employee performance,
3. Compensation and leadership style have a significant effect on employee performance simultaneously.

**III. RESEARCH METHODS**

This research is a causality descriptive research that aims to determine the effect of independent variables on the dependent variable. The data used in this study are quantitative data and are primary data obtained directly from respondents. The data was collected using a questionnaire. The statement items in the questionnaire use a scale of 1 to 5 with answer choices ranging from strongly disagree to strongly agree.

The population in this study were 758 employees of PT Semen Baturaja (Persero) Tbk. By using proportional

random sampling technique, the number of samples that will be respondents in this study is 100 people.

To measure the variables in this study, the following operational definitions are used:

1. The questionnaire for the compensation variable was developed by Dessler [7] which contained 10 questions regarding the compensation variable.
2. Questionnaire for leadership style variables developed by Hersey and Blanchard [9] which contains 10 questions regarding leadership style variables.
3. Questionnaire for employee performance variables was developed by Dessler [7] which contains 15 questions regarding employee performance variables.

**IV. RESULTS AND DISCUSSION**

Table 1. Profile of Respondents

Items	Information
Gender	Male (61.0%)
Age	20-30 years old (66.0%)
Marital Status	Married (65.0%)
Education	Bachelor (62.0%)
Tenure	1-10 years (72.0%)

Source: Data processed, 2019

Most respondents were male (61%) with an average age of 20 to 30 years old (66%) and married status (65%). The highest education most of the respondents were bachelor degree (62%) with an average tenure of 1 to 10 years (72%).

Table 2 shows the results of the variable validity test in this study using the product moment correlation technique from Karl Pearson.

Table 2. Test results for validity of research instruments

Variable	Item	Validity coefficient	R table value	Information
Compensation	P1	0.581	0.1946	Valid
	P2	0.673	0.1946	Valid
	P3	0.688	0.1946	Valid
	P4	0.608	0.1946	Valid
	P5	0.204	0.1946	Valid
	P6	0.512	0.1946	Valid
	P7	0.532	0.1946	Valid
	P8	0.631	0.1946	Valid
	P9	0.587	0.1946	Valid
	P10	0.642	0.1946	Valid
Leadership Style	P1	0.733	0.1946	Valid
	P2	0.510	0.1946	Valid
	P3	0.481	0.1946	Valid
	P4	0.579	0.1946	Valid
	P5	0.403	0.1946	Valid
	P6	0.606	0.1946	Valid
	P7	0.464	0.1946	Valid
	P8	0.538	0.1946	Valid
	P9	0.506	0.1946	Valid
	P10	0.615	0.1946	Valid
Employee Performance	P1	0.351	0.1946	Valid
	P2	0.441	0.1946	Valid
	P3	0.474	0.1946	Valid
	P4	0.530	0.1946	Valid
	P5	0.357	0.1946	Valid
	P6	0.554	0.1946	Valid
	P7	0.294	0.1946	Valid

	P8	0.296	0.1946	Valid
	P9	0.408	0.1946	Valid
	P10	0.444	0.1946	Valid
	P11	0.479	0.1946	Valid
	P12	0.319	0.1946	Valid
	P13	0.532	0.1946	Valid
	P14	0.427	0.1946	Valid
	P15	0.355	0.1946	Valid

Source: Data processed, 2019

Table 2 shows that all items in the questionnaire instrument of compensation, leadership style, and employee performance variables are considered valid because the Pearson validity coefficient value of all the statements is greater than the r table value of 0.946. After that, the reliability test, in which an instrument is considered reliable if the Cronbach's Alpha value of each item questionnaire statement is greater than 0.60, is carried out. Table 3 presents the results of the instrument reliability test for the variables in this study.

Table 3. Results of Research instrument reliability test

No.	Variable	Cronbach's Alpha	Information
1	Compensation	0.735	Reliable
2	Leadership style	0.713	Reliable
3	Employee Performance	0.742	Reliable

Source: Data processed, 2019

Based on the results of the instrument reliability test in Table 3, all the variables in this study are considered reliable because the value of Cronbach's Alpha of each research variable is above 0.60. Then hypothesis testing is carried out using multiple linear regression analysis.

Table 4. Multiple Linear Regression

Items	Compensation	Leadership Style
Correlation Coefficient (r)	0.474	0.017
Significance Coefficient	0.000	0.899
Determination Coefficient (R <sup>2</sup> )	0,320	
ANOVA Significance Coefficient	0,000	

Dependent Variable: Employee Performance

Source: Data processed, 2019

Based on table 4 above, compensation has a significancy coefficient of 0.000 < 0.050 which indicates that compensation has a significant effect on employee performance. The leadership style variable has a significancy coefficient of 0.899 > 0.050 which indicates that the leadership style does not significantly influence employee performance.

The compensation variable and leadership style together have ANOVA significancy coefficient value of 0.000 < 0.050 which shows that compensation and leadership style together have a significant effect on employee performance. R Square value based on the calculation obtained shows a value of 32% which indicates that the compensation and leadership style variables have as much influence as 32% on employee

performance, while the remaining 68% is influenced by other variables.

## V. CONCLUSION AND FUTURE WORK

### A. Conclusion

Based on the results and discussion of the research, it can be concluded that compensation significantly influence employee performance. While the leadership style does not significantly influence employee performance. Compensation and leadership style simultaneously have a significant effect on employee performance.

### B. Future Work

Future research can be carried out in larger analytical units, such as several public and private companies. Addition of several variables can also be done to find out other factors that affect employee performance.

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