

**Effect of Leadership Style, Compensation on Commitment and its  
Implementation on Employee Performance  
(Case Study of Mitra Sejahtera Cooperative Employees PT Denso Group  
Indonesia)**

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**ABSTRACT**

*This observation intends to be able to determine the effect of leadership style, compensation on commitment and its implementation on the performance of Employees of the Mitra Sejahtera Cooperative PT. Denso Group. The total population in this study was 128 people with the determination of the number of samples using the slovin formula which produced 115 respondents. This study uses the Structural Equation Modeling (SEM) analysis model to be able to find out how much influence the independent has on the dependent variable through the intervening variable, carried out using the Lisrel 8.8 program. This research test succeeded in concluding that Leadership Style has a substantial effect on Commitment. Compensation has no substantial effect on Commitment. Leadership style has no significant effect on performance. Compensation turned out to have a positive and significant effect on performance. Commitment has a positive and substantial effect on performance. Leadership Style, Compensation has a substantial effect on Commitment. Meanwhile, Leadership Style, Compensation, Commitment have a substantial effect on performance. Then the Commitment variable becomes a mediator between the Leadership Style and Performance variables. And the Commitment variable becomes a mediator between the Compensation variable on performance.*

**Keywords: Leadership Style, Compensation, Commitment, Performance**

## **INTRODUCTION**

Human resource management, also known as HRM (Human Resource Management), is similar to science and art in being able to manage roles and employee relations effectively to achieve corporate, organizational and societal objectives.(Hidayat et al., 2022). According to Susan, (2019). "Human resource management is the process of acquiring, training, evaluating and compensating employees and managing labor relations, health and safety, and justice-related matters."(Hidayat et al., 2022).

Mitra Sejahtera Employee Cooperative (K2MS) PT. Denso Group is an agency under the auspices of PT. Denso Group. The Mitra Sejahtera Employee Cooperative (K2MS) was created to meet all the needs of employees of PT. Denso Group. Starting from basic needs, personal needs, to daily needs. The Mitra Sejahtera Employee Cooperative (K2MS) was ratified in 2017, this relatively new Employee Cooperative requires adaptation from various aspects, one of which is good HRM (Human Resource Management)/HR management, this is a vital factor for an organization/entity/company to increase productivity. Employees of the Mitra Sejahtera Cooperative (K2MS) also need their rights for the continuity of their work, resulting in high performance from these employees. Performance can be influenced by several factors, including how the company's leadership style is and how the compensation is. If employees in a company can properly complete all the work given by the company, it is

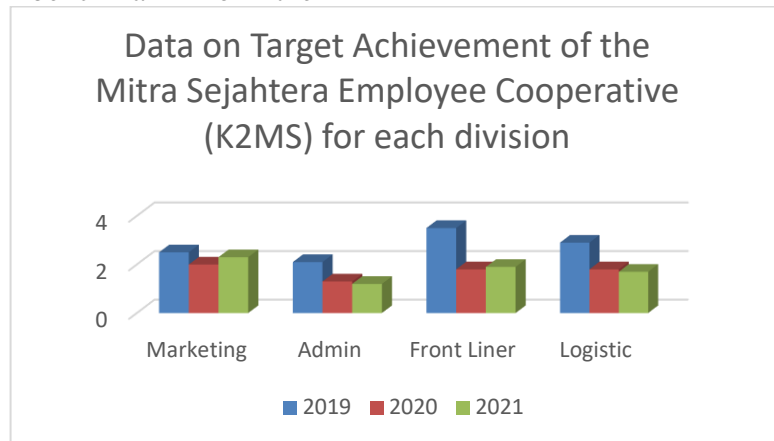
certain that these employees have a high sense of responsibility and commitment to their work.

The success of an organization/company can be seen from the performance produced by its employees. If the performance of an employee is good, it is not difficult for the company to achieve goals and targets more quickly and easily, but if the performance of a company's employees is bad, the opposite is true. Therefore, a company should maintain and improve the performance of its employees.(Nugraha & Tjahjawati, 2018). Gordon said in Nawawi (2006: 63) "performance is a function of the ability of workers to accept work goals, the level of achievement of goals and the interaction between goals and employee abilities". So the conclusion is that employees play an important role in carrying out the activities of a company, so that the company can grow, survive and improve the continuity of the work system within a company.(Piyu, nd).

Problems arise due to decreased employee performance, with decreased employee performance can affect the achievement of company/agency/organization targets, as a result the company/agency/organization suffers losses because targets are not achieved. Performance is influenced by many factors, namely as follows leadership style, discipline, compensation, motivation. Based on the employee performance diagram data of the Mitra Sejahtera Cooperative (K2MS) PT. Denso Group shows that the reduction in the target of achieving the share every year. Based on the data below, it can

be seen that in the last 2 years the target achievement of employees for each section has decreased. The percentage of target reduction can be used as a benchmark for the

performance of a company/agency/organization. The reasons for the reduction in targets varied.



Source: Mitra Sejahtera Employee Cooperative (K2MS) PT. Denso Group 2021

Figure 1. Data Mitra Sejahtera

According to existing research, the performance of an employee can be influenced by the level of organizational commitment. According to (Akbar et al., 2017) from the journal Allen and Meyer (1990), "the following indicators can serve as a benchmark for organizational commitment: Indicators of affective commitment based on personal characteristics and work experience. The size and/or number of individual side bets, as well as perceptions of a lack of other job options, are indicators of subsequent continuance commitment. Individual socialization experience before joining the organization (experience in the family or socialization) and after joining the organization is the next indicator of normative commitment.

Leadership is very closely dependent on the development of organizational activities and activities, and a good leadership style can encourage every subordinate to

continue to do their job well, in accordance with the demands of each company, so that the company can continue to develop and progress along with maximizing employee performance, maximizing its employees and decisions made by the company. Priyono, (2016) in (Said & Astutik, 2020) "Leadership in question is the ability possessed by a person to be able to influence other people so that they can work according to the reference and be able to achieve the goals and objectives set by the company."

In a company that has implemented the right placement starting from the recruitment process, and is considered to be able to manage HRM (Human Resource Management) / HR in a more organized and directed manner. The company's focus is not only on improving the quality and placement of an individual, but the company's focus is also on the factor of

leadership style as a company policy that is also important.

Employees are an integral part of the business which makes a significant contribution to achieving its goals. There are undoubtedly many differences between each employee, including gender, needs, and skills. Compensation is one way companies can recognize employee performance and act as an achievement or reward. Employees will try to give their best performance as a form of reciprocity from the company's awards, and maintain the enthusiasm and motivation of workers, if awards and recognition are given.

## **LITERATURE REVIEW**

### **1. Employee performance**

According to (Fajrin et al., 2018) When an employee comes to carry out a task or do his job, the performance of the employee can be guided by an increase in the manifestation of employee responsibility in a unit of time. Therefore, great execution is ideal execution, according to existing hierarchical guidelines and supports the achievement of organizational goals. According to Bangun (2012:233) in (Akbar et al., 2017) There are 5 indicators to be able to measure employee performance, namely as follows:

a. Number of jobs: The number of jobs created by each employee is indicated in this dimension. Each job has various prerequisites so that representatives are forced to work according to their capacities and talents. As a result, the business can determine the number of units it

can complete and the number of employees needed to carry out its responsibilities.

- b. Quality of work: For employees to produce the high quality work that the company expects, they must meet certain requirements. Each employee must conform to specific quality standards for his work. If employees are able to produce work that meets the company's quality standards, they can perform well.
- c. Work time management: Some jobs require completion by a certain date. This can hinder other work if the task is not completed within the allotted time. The quantity and quality of work can then be affected. Certain types of products can only be used for a certain amount of time, so it is important to finish them in time as they affect how they are used. On this dimension, workers must be able to complete their work on time.
- d. Attendance of Employees: Almost all jobs require the presence of employees to complete the job within a set timeframe. However, there are some jobs that require employees to be present at least eight hours per day in five working days. where employees attend work can have an impact on their performance.
- e. Good teamwork skills: to work with others Not all tasks can be completed by one person. In addition, there are some tasks that require teamwork.

Therefore, effective cooperation is needed to solve it. The capacity for cohesiveness among colleagues can also be used as a benchmark for employee performance

## 2. Organizational Commitment

Satisfaction at work is a result of an employee's perception of the value they place on their profession. General acknowledgement in the field of organizational behavior that job satisfaction is the most important and prevalent employee attitude. Despite the fact that analysis theoretical has criticized satisfaction work for being too narrow conceptually, there are three generally accepted dimensions for satisfaction work. First, job satisfaction is an emotional reaction to the job situation. Therefore, no could be observed that could only be concluded. Second, job satisfaction is frequently determined by the degree to which positive outcomes meet or exceed expectations. Third, work satisfaction represents a number of attitude-related variables (Luthans, 2011).

A person's commitment to the organization can be seen as an introduction to organizational values and a sign that they truly value their work and organization. To assist the organization in achieving its goals, one will try to put in as much effort as possible.

According to (Basna, 2016) Organizational commitment is the most powerful motivator that can influence individual desires to have better performance, optimize

efficiency and be able to develop existing capabilities. According to (Parinding, 2017) "A measure of an employee's willingness to remain with the company in the future is organizational commitment. Employees' belief in the mission and goals of the organization, the willingness to work hard to complete the tasks at hand, and the desire to keep working are often reflected in commitment." Employees who have been working for a company for a long time are those who have matured personally within the company, and those who are committed to a team usually have a higher level of commitment.

Porters et al. (1973) in (Diana Sulianti KL Tobing, 2009) stating organizational commitment is defined as a person's relative or relative energy in a particular organization and their involvement in that organization. It is based on three psychological factors:

- 1) high will to organization
- 2) willingness to make every effort for the benefit of the organization
- 3) sure, certain, and able to accept the desired values and target

## 3. Leadership Style

According to (محمود, 2008) "The leader's job is to support and train subordinates to be competent, as well as provide opportunities to grow and develop by anticipating every challenge and opportunity to work independently." According to (Sugiarti, 2020) The leadership used by the organization and employee motivation are two factors that can be used to increase

performance. According to (Jamaludin, 2017) "The behavior of a leader regarding his capacity to direct and influence his subordinates in the implementation of their responsibilities is exemplified by his leadership style."

According to (Setiawan & Primary, 2019) in Kartono (2008: 34) interprets indicators of leadership style, namely:

1. Can make their own decisions
2. Can provide motivation
3. Able to communicate well
4. Able to manage subordinates
5. Responsible
6. Able to control emotions

### **Compensation**

According to Rivai and Sagala (2011: 741) in (Retnoningsih et al., 2016) The term "compensation" refers to payments made by an employer to employees in return for achieving certain objectives. According to (Agathanisa & Prasetyo, 2018) According to the Circular Letter of the Minister of Manpower No. Income can be distinguished into wage income and non-wage income in accordance with SE-07/MEN/1990 concerning wage classification. Wages are a form of income which includes:

1. Main Pay
2. Constant subsidies
3. Subsidies are not constant

And for non-paid income includes:

1. Accommodation

2. Commission
3. Holiday subsidies
4. Incentives

In the journal Sedarmayanti (2016: 241-243) in (Nugraha & Tjahjawati, 2018) types of compensation namely:

- 1) Guarantees are considered indirect compensation because they are usually not related to performance at work.
  - a. Liability Guarantee
  - b. Employee safety
  - c. Paid holidays
  - d. Cafeteria guarantee: Working hours are appropriate

- 2) Complementary Compensation  
In most cases, there is no direct correlation between employees' compensation and their performance. Because it is mandated by the government and has the potential to influence employee attitudes, complementary compensation is considered significant. Internal conflicts and demands from unions.

Departing from the theoretical review that has been described, that leadership style and compensation affect work commitment in part or at the same time. This will, in turn, implement performance, which has a partial and simultaneous impact. The flow chart below provides an illustration of the previous framework.

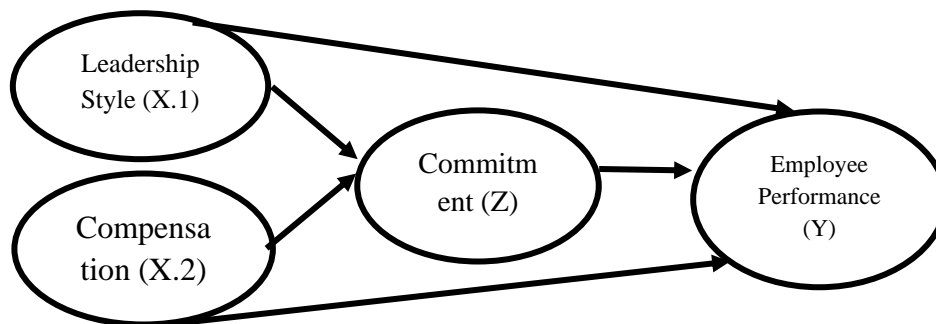


Figure 2. Theoretical Thinking Framework

**RESEARCH METHODS**

The variables used in this study are the Leadership Style variable (X.1) and the Compensation variable (X.2), namely as the independent variable, the Employee Performance variable (Y) as the dependent variable, and the Commitment variable (Z) as the intervening variable.

The population taken in this study is all employees of the Mitra Sejahtera Cooperative (K2MS) of PT. Denso Group, namely as many as 128 employees. The quantitative method is the method used in this research where to test a theory or explain statistics to show the relationship between the variables to be studied, by taking samples using SEM mode and processing using the Lisrel application version 8.8, with the number of samples determined by the Slovin formula as many as 115 respondents and data collection is done by distributing questionnaires. Sample measurement according to slovin's opinion.

$$n = N / (1 + (N \times e^2))$$

**RESULTS AND DISCUSSION**

The measurable strategy used to test speculation in this review uses the multivariate Primary Condition

Based on field data, the number of employees in the Mitra Sejahtera Employee Cooperative (K2MS) is 128 employees. Researchers chose a sample of 115 employees to be respondents in the study using the Slovin formula which has an error rate of 5%. In gathering information, creators use information selection strategies:

- a. A questionnaire, in which a set of questions is sent to each respondent who meets predetermined criteria, collects data directly.
- b. Interviews, in particular, the authors conducted interviews with employees based on criteria, including employment for more than one year. The poll was circulated by scientists using a Likert scale (focus 1-5) to measure social distinctiveness by glimpsing impressions at PT. Denso Group. Each variable that needs to be measured will be put into a group called variable indicators, which will be the statement instrument for the research questionnaire.

Demonstrating (SEM) procedure with the help of the Lisrel 8.8 application. Therefore, the goodness of fit criteria must be used to assess the suitability

of the model in this study. According to Sudirman et al., (2020) in Santoso (2018) states that suitability must be evaluated using several criteria, including: The model is considered good if the RMSEA value is close to 1, and the GFI and AGFI values must also be close to 1 to indicate a fit model.

**Validity test**

The accuracy and benchmarks of a company are determined through this test. This validity test is used to determine the validity of a questionnaire and what you want to measure. The purpose of testing the validity of the questionnaire is to greater than 0.50.

determine the validity of the questions asked to research subjects. With a note, instrument items or questions are considered valid if they are correlated with a total score in r count greater than r table, whereas conversely instruments or question items that are not correlated with a total score in r count less than r table are considered invalid. Lisrel 8.8 application is used for validity testing methods. Criteria for testing the validity of the decision based on the factor loading value. Statement items are generally considered valid if the loading factor value is

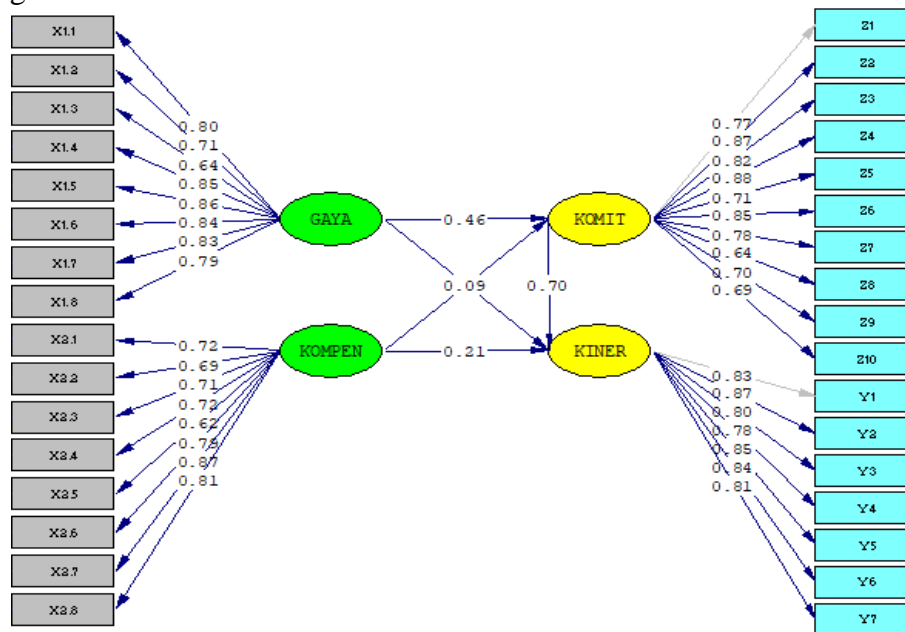


Figure 3. Full Model

The data above is data that has been modified by removing items that are less than 0.50. The findings of the validity test show that all statement items in each construct have a factor loading greater than 0.50, so that the findings of the validity test can be said to be valid.

**Reliability Test**

In essence, the reliability test

tests the ability of indicators to measure theoretical concepts. The variable is said to be reliable if the Cronbach Alpha value is greater than 0.70.

**Hypothesis testing**

After processing the data using the Lisrel 8.8 application, the following results are obtained:



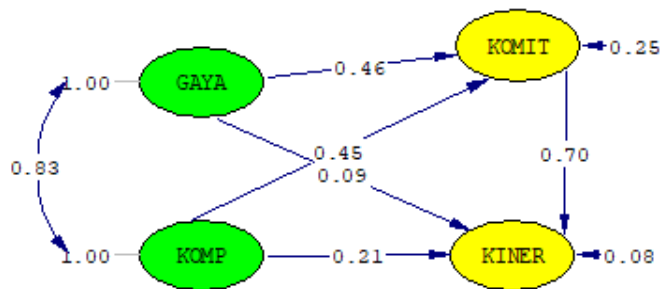


Figure 3. Structural Model Estimates Standardized Solution

Structural Equations

$$\begin{aligned}
 \text{KOMIT} &= 0.46 \cdot \text{GAYA} + 0.45 \cdot \text{KOMPEN}, \text{ Errorvar.} = 0.25, R^2 = 0.75 \\
 &\quad (0.12) \quad (0.12) \quad (0.054) \\
 &\quad 3.92 \quad 3.80 \quad 4.54 \\
 \\
 \text{KINER} &= 0.70 \cdot \text{KOMIT} + 0.093 \cdot \text{GAYA} + 0.21 \cdot \text{KOMPEN}, \text{ Errorvar.} = 0.082, R^2 = 0.92 \\
 &\quad (0.10) \quad (0.089) \quad (0.083) \quad (0.023) \\
 &\quad 6.66 \quad 1.05 \quad 2.52 \quad 3.65
 \end{aligned}$$

Figure 4. Structural Equations

The significance of the independent variables relative to each of the dependent variables can be demonstrated using the T statistical test. In this study, the significance level was 5%. If t-count is greater than t-table, then the independent variables affect the dependent variable, variable, and vice versa.

**First hypothesis:** The tcount test for the Leadership Style variable (X.1) is 3.92. Because the calculated t value is greater than t table (3.92 > 1.9) it can be concluded that the Leadership Style variable (X.1) has a substantial effect on the Commitment variable (Z). This shows that an increase in Leadership Style (X.1) will result in an increase in Employee Performance, while a decrease in Leadership Style (X.1) will result in a decrease in Employee Performance. Hypothesis 1 is valid.

**Second hypothesis:** The tcount test for the Compensation variable (X.2) is 3.80. Because the calculated t value is greater than t table (3.80 >

1.9) it can be concluded that the Compensation variable (X.2) has a substantial effect on the Commitment variable (Z). This shows that an increase in compensation (X.2) will result in an increase in employee performance, while a decrease in compensation (X.2) will result in a decrease in employee performance. Hypothesis 2 is valid.

**Third hypothesis:** The tcount value of the Leadership Style test (X.1) is 1.05. Because the calculated t value is smaller than t table (1.05 < 1.9) it can be concluded that the Leadership Style variable (X.1) has no substantial effect on the Performance variable (Y). Hypothesis 3 is invalid.

**Fourth Hypothesis:** The tcount test for the Compensation variable (X.2) is 2.52. Because the calculated t value is greater than t table (2.52 > 1.9) it can be concluded that the Compensation variable (X.2) has a substantial effect on the Performance variable (Y). This shows that an

increase in compensation (X.2) will result in an increase in employee performance, while a decrease in compensation (X.2) will result in a decrease in employee performance. Hypothesis 4 is valid.

**Fifth Hypothesis:** The tcount test for the Commitment variable (Z) is 6.66. Because the calculated t value is greater than t table ( $6.66 > 1.9$ ) it can be concluded that the Commitment variable (Z) has a substantial effect on the Performance variable (Y). Hypothesis 5 Valid.

**Sixth Hypothesis:** The tcount test for the variable Leadership (X.1), Compensation (X2) is 4.54. Because

the calculated t value is greater than t table ( $4.54 > 2.45$ ) it can be concluded that the Leadership variable (X.1), Compensation (X.2) has a substantial effect on the Commitment variable (Z). Hypothesis 6 Valid.

**Seventh Hypothesis:** The tcount test for the variable Leadership (X.1), Compensation (X2), Commitment (Z) is 3.65. Because the calculated t value is greater than t table ( $3.65 > 2.45$ ) it can be concluded that the variables are Leadership (X.1), Compensation (X.2), Commitment (Z). substantially influence the variable Performance (Y) Hypothesis 7 Valid.

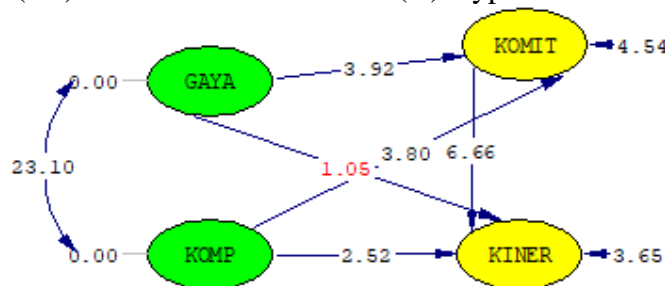


Figure 5. Structural Model Estimates T-Values

## DISCUSSION

### 1. Direct influence and indirect influence between Leadership Style on Employee Performance

- The direct influence of Leadership Style on Employee Performance is  $(0.46)^2 \times 100 = 21.16\%$
- The indirect effect of Leadership Style on Employee Performance through Commitment is  $(0.46) \times 0.70 \times 100 = 32.20\%$
- Based on the percentage above, leadership style cannot improve employee performance either directly or indirectly through

commitment. Therefore, the Commitment variable acts as a mediator in the relationship between Employee Performance and Leadership Style (Mediating).

### 2. Direct influence and indirect influence between Compensation on Employee Performance

- The direct effect of compensation on employee performance is  $(0.21)^2 \times 100 = 4.41\%$
- The indirect effect of compensation on employee performance through the media commitment is  $0.45 \times 0.70 \times 100 = 31.50\%$

- c. Likewise, the direct and indirect influence of compensation on employee performance states that compensation can improve employee performance both directly and indirectly through the medium of commitment, the commitment variable is a mediating variable.

### CONCLUSION

Based on the research findings that have been done, it can be concluded that Commitment (Z) is significantly influenced by Leadership Style (X.1). Commitment (Z) is substantially affected by compensation (X.2). Employee Performance (Y) is not influenced by Leadership Style (X.1). Employee Performance (Y) can be substantially affected by Compensation (X.2). Employee Performance (Y) is substantially influenced by Commitment (Z). Commitment (Z) is substantially influenced by leadership style (X.1) and compensation (X.2). Employee performance (Y) is substantially influenced by leadership style (X.1), compensation (X.2), and commitment (Z). The Commitment variable (Z) acts as a mediator between the Leadership Style variable (X.1) and Employee Performance (Y). And the Commitment variable (Z) becomes a mediator between the Compensation variables (X).

This analysis still has limitations because it only uses two independent variables: Leadership Style (X1) and Compensation (X2) to measure how much influence it has on Employee Performance (Y) and Commitment (Z) at the Mitra

Sejahtera Employee Cooperative (K2MS) PT. Denso Group, so that these two independent variables are still limited in their ability to explain the mediator variable, namely Commitment (Z) and the dependent variable, namely Employee Performance (Y).

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