

Influence of Transformational Leadership and Compensation on Employee Performance With Work Motivation as Mediation Variables in Bank Nagari Main Branch Padang

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ABSTRACT

A study to determine the impact of transformative leadership and rewards on employee performance. The population in this study was the staff of Nagari Head Office Padang, which used primary data. The sampling method uses proportional stratified random sampling with 128 respondents. The analysis method used is the use of a structural equation model using a less squared part approach (PLS) to support the SmartPLS program 3. The results of this study show that transformational leadership have significant and positive affect on employee. Compensation variables have no significant affect on employee performance. Job motivation variables have a positive and significant impact on employee performance. Transformative leadership variables do not significantly affect employee performance due to work motivation. Reward variables do not significantly affect employee performance by motivating the work.

Keywords: Transformational Leadership, Compensation, Work Motivation, and Employee Performance

1. INTRODUCTION

The government provides special regulations and regulations in managing banking in Indonesia. The banking law is contained in Act Number 21 of 2008 concerning Sharia Banking, Act Number 23 of 1999 concerning Bank Indonesia, Act Number 6 of 2009 concerning the Establishment of Government Regulations in lieu of Act Number 2 of 2008 as Act Law, Law Number 3 of 2011 concerning Funds Transfer, and other laws governing banking regulations or operations in Indonesia. With so many changes in regulations and laws, it is hoped that companies will be able to compete fairly, so that the economy is maintained.

For every company increasing its resilience to be able to remain competitive in an increasingly

competitive world is a necessity by improving performance on an ongoing basis, in order to be able to win the competition and increase competitive advantage so as to have an advantage in competing. At this time the company's management is required to be able to create programs that are able to increase competitiveness and create competitive advantage with the aim of being able to survive (going concern) and win the competition. Large companies are no longer required to be profit-oriented (profit oriented) but rather oriented to how to win the competition in the midst of increasingly complex competition (complicated competition).

According to a report published by the Members Of Local Parliament in West Sumatra in its evaluation, the performance of Bank Nagari in

2017 was not in accordance with the specified target. The report given to the Commission III of the West Sumatra Parliament explained that Bank Nagari only had an income of IDR 305 billion of the targeted target of IDR 401 billion. Bank Nagari also deducted employee rights such as reducing incentives and bonuses which reached 35%, thus earning an additional IDR 18 billion to support the income. In the reporting of the West Sumatra Parliament explained that there were 21 banks in West Sumatra where all of the banks succeeded in achieving the target, only Bank Nagari failed (metroandalas.com, published March 11, 2018). Based on a report from the West Sumatra Parliament indicates that the weak performance of Bank Nagari thus making profit achievement ineffective. The decline in performance will be followed by a decline in all company operational activities and tightening in all company activities.

According Sedarmayanti (2017: 323) explains that a performance must be assessed and evaluated alternately or together because it has high benefits for the company. If performance is judged well, it will benefit the employees or company managers. Performance appraisal refers to a formal and structured system, used to measure, assess, influence work-related traits, behaviors and outcomes, including absence rates. This means that there are many indicators that can be used to measure the performance of an employee whether it is in accordance with company goals or not.

According to Wibowo (2019: 327) defining transformational leadership style is a leadership perspective that explains how leaders change the team or organization by creating, communicating and creating a vision model for the organization or work unit and inspiring workers to try to achieve that vision. Research conducted by Tarhini (2016) explains that transformational leadership styles have a significant impact on employee performance.

According to Wibowo (2016: 289), defining compensation is the number of packages offered

by organizations to workers in return for the use of their labor. In compensation there is an incentive system that links compensation with performance based on rewards and not based on seniority or the number of hours worked. According to research conducted by Njoroge (2015) concluded that every employee has a need for training and formal or informal rewards to improve performance.

According to Hasibuan (2018: 165) explains that the theory of motivation in the process of an individual works in accordance with the wishes of the manager, where if observed then this theory is more to the cause and effect of how someone works and what results will be obtained. According to Ghaffari's research (2017) explains that motivation is very important in organizations to improve employee performance affirmatively.

The phenomenon that occurs that the weak performance of Bank Nagari and the leadership style that is not too preferred by its employees has an impact on the performance of the bank. Cutting incentives and bonuses also reduce employee motivation so that more in-depth research is needed about the variables to be studied. Based on the above background, the writer is interested in examining this problem by giving the title *Effect of Transformational Leadership and Compensation on Employee Performance with Work Motivation as a Mediating Variable in Bank Nagari Main Branch Padang*.

1.1. Path Goal Theory

According to Wibowo (2019: 321) explained that the path goal theory is based on expectation theory of motivation by increasing business will improve performance and expectations will increase so that the behavior of leaders is expected to be accepted when employees view as a source of satisfaction in the future. Basically, leadership has an orientation as an effort to find

the company's goals by involving all parties who are under the coordination of a leader.

1.2. Goal Setting Theory

Goal setting theory assumes that individuals who are committed to goals and are determined not to denigrate or abandon them. Commitment of goals is the most likely thing to happen when goals are published.

1.3. Employee Performance

According Sedarmayanti (2017: 323) explains that a performance must be assessed and evaluated alternately or together because it has high benefits for the company. If performance is judged well, it will benefit the employees or company managers. According to Wibowo (2016: 86), it can be explained that the form of performance indicator framework is objectives, standards, feedback, tools and facilities, competencies, motives, and opportunities.

1.4. Transformational Leadership

According to Wibowo (2019: 327), the transformation leadership style allows leaders to create a vision model for an organization or business unit, communicate with them, and create workers to find that vision so that leaders can create a team or organization. A leadership perspective that explains how to change. According to Wibowo (2019: 329) explained that the indicators of transformational leadership conducted by Eliyana (2018) were charisma, inspiration, intellectual stimulation, and individualized consideration.

1.5. Compensation

According to Hasibuan (2018: 117) compensation is revenue by company to employees to meet all needs where compensation is a reflection of the status, recognition, and level of fulfillment of needs happy by employees and families. If the employee receives greater rewards, it means that the position is higher, the status is getting better, and the fulfillment of his needs is also increasing. According to Veithzal Rivai (2011: 357) there are several indicators that can be used to measure compensation, direct financial compensation and indirect compensation.

1.6. Work Motivation

According to Hasibuan (2018: 141) defines motivation is a form of way that directs the power and potential of subordinates to want to work together productively to achieve and realize the goals that have been determined. Motivation is very important in working because motivation was that causes and supports one's behavior so that they want to work more actively and enthusiastically in achieving optimal results. Measurement indicators of motivation refer to research conducted by Ghaffari (2017) where indicators used to measure motivation are increased salary (fringe benefits), fringe benefits, supervision, promotion, responsibility, responsibility, and training and development (training & development).

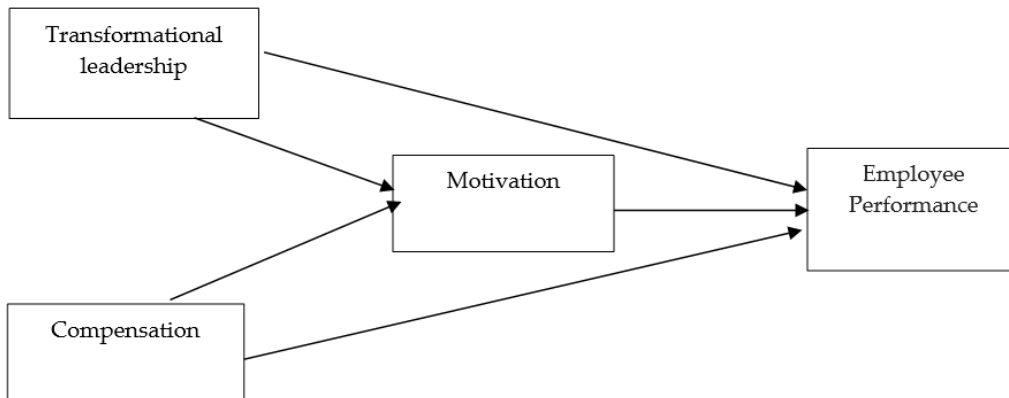


Figure 1. Conceptual Framework

2. METHODS

The type of research to be carried out is classified as causative research, according to Husein (2011: 35). This study explains and illustrates the relationship between independent variables namely transformational leadership and compensation with intervening variables namely work motivation on the dependent variable namely employee performance.

Therefore, the population in this study are employees of Bank Nagari Main Branch Padang. So that the total population in this study was 188 people with high school education as many as 37 people, D3 as many as 41 people, S1 as many as 78 people, as many as 17 people S2, and S3 as many as 15 people. Because the population in this study is known, the sample in this study was taken using the Slovin formula approach (2015: 03). Samples is 128 people will be selected by proportionate stratified random sampling. Data analysis uses sem with PLS approach because there are few samples and the number of indicators is also small. PLS sem methods to see the relationship between the variables studied were adjusted to the variables and the purpose of the analysis.

3. RESULTS AND DISCUSSION

Reliability test if the Cronbach alpha value > 0.6 and composite reliability value > 0.7 then the data has been reliable. Cronbach alpha value of the transformational leadership variable is 0.931> 0.6 and the composite reliability value is 0.943> 0.7 then the data has been reliable. Cronbach's alpha value for employee performance variable is 0.871> 0.6 and composite reliability is 0.903> 0.7 then the data is reliable. Cronbach's alpha value for compensation variable is 0,888> 0,6 and composite reliability value is 0,922> 0,7 so the data is reliable. Cronbach's alpha value for work motivation variable is 0.859> 0.6 and composite reliability value is 0.892> 0.7 so the data is reliable. In this study all data from statements on the variables studied have been reliable and can be used for further statistical tests. R Square test results in this study are:

Table 1. Inner Model Test Results

| | R Square | Adjusted R Square |
|-----------------------------|-----------------|--------------------------|
| Employee Performance | 0,758 | 0,752 |
| Work Motivation | 0,682 | 0,677 |

The value R Square for employee performance variables is $0.758 > 0.2$ and the value of R Square for work motivation variables is $0.682 > 0.2$ then the latent predictor has a large influence on the structural level. Then the assessment of goodness of fit is continued by looking at Q-square predictive relevance for the variable model. If the calculation results show a Q-square value > 0 , then the model is feasible to say that it has relevant predictive values. The result of Q-square calculation is $0.9230 > 0$, so the model can be said to be feasible and has a relevant predictive value. These results indicate

that the diversity of the data studied can be explained by the research model by 92.30% while the remaining 7.70% is explained by other factors outside the search model. These results explain that the research model can be said to have good goodness of fit.

The significance measure of hypothesis support can be used comparison of T-statistic value $>$ T-table and p-value < 0.05 means that the hypothesis is accepted. The T table for the 128th sample is 1.978. The results of hypothesis testing in this study are:

Table 2. Hypothesis Test Results

| Mean, STDEV, T-Values, P-Values | | | | | |
|---|---------------------------|------------------------|-----------------------------------|----------------------------------|-----------------|
| | Natural Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistic (O/STDEV) | P Values |
| Transformational Leadership -> Employee Performance | 0,655 | 0,653 | 0,091 | 7,229 | 0,000 |
| Transformational Leadership -> Work Motivation | 0,358 | 0,369 | 0,100 | 3,563 | 0,000 |
| Compensation -> Employee Performance | 0,105 | 0,104 | 0,092 | 1,151 | 0,250 |
| Compensation -> Work Motivation | 0,500 | 0,491 | 0,095 | 5,265 | 0,000 |
| Work Motivation -> Employee Performance | 0,150 | 0,151 | 0,075 | 1,993 | 0,047 |

Source: Primary data processed in 2019

The P value of the transformational leadership for an employee's performance is $0.000 < 0.05$, and the statistical value of T is $7,229 > 1,978$, which means that it can be concluded that the transformational leadership variable has a positive and important influence on employee performance. The value of P for transformational driving of the impulse effect is $0.000 < 0.05$ and the statistical value of T is $3,563 > 1,978$, which means that we can conclude that the transformational variable has a positive positive effect on the impulse to act.

The value of P for compensation variables for employee performance is $0.250 > 0.05$, and the statistical value for T is $1.151 < 1.978$, which means that it can be concluded that the compensation variable has no significant influence on employee performance. The value of P for work subject compensation is $0.000 < 0.05$ and the statistical value T is $5.265 > 1.978$, which

means that the compensation variable has a positive and important effect on the work subject. The values of P for work motivation for employee performance are $0.047 < 0.05$, and the statistical value of T is $1.993 > 1.978$, which means that it can be concluded that work motivation has a positive and important influence on employee performance.

P values for the indirect effect between transformational leadership on employee performance through work motivation are $0.063 > 0.05$ and the statistical value of $1.861 < 1.978$, the hypothesis is rejected. This means that transformational leadership variables do not affect employee performance through work motivation. The P values for the indirect effect of compensation on employee performance through work motivation are $0.093 > 0.05$ and the value of statistics is $1.682 < 1.978$, the hypothesis is rejected.

Table 3. Hypothesis Test Results for Indirect Effects

| Mean, STDEV, T-Values, P-Values | | | | | |
|---|--------------------|-----------------|----------------------------|-------------------------|----------|
| | Natural Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistic (O/STDEV) | P Values |
| Transformational Leadership -> Work Motivation -> Employee Performance | 0,054 | 0,054 | 0,029 | 1,861 | 0,063 |
| Compensation -> Work Motivation -> Employee Performance | 0,075 | 0,077 | 0,044 | 1,682 | 0,093 |

H1: The Effect of Transformational Leadership on Employee Performance at Bank Nagari Padang Main Branch

Transformational leadership has significant effect on employee performance because the existence of a leadership system like this will encourage employees to work better so that employee performance is improved. Leaders who have a transformational leadership style always give advice and always be careful in solving problems so that with this attitude can provide encouragement for employees to produce high performance. Feeling reluctant to work is not good will encourage employees to have an attitude that is concerned with the results of the work well.

Transformational leadership is a form of leadership that is most popular today because it is considered to it has an impact on improving employee performance. The journal same like this paper do it by Tarhini (2016) and Bacha (2014) which concluded that transformational leadership has a significant influence on employee performance. Transformational leadership is basically one form of leadership that is able to give suggestions to others to do what he wants as long as in accordance with the rules and objectives of the company.

According to Robbin (2015: 261) the way in which someone influences their followers is based on the theory of transformational leaders. Transformational leadership is a style of leadership where a leader can inspire his followers to transcend their own interests and who have the ability to have a profound and extraordinary influence on their followers. Transformational leadership can form a transactional leadership and can produce levels of effort from its employees and performance that can surpass what transactional leadership does. Transactional style leaders can encourage their employees to work creatively by having decentralized greater responsibilities. Managers can have a greater tendency to take risks and

plan compensation where they are directed towards long-term results.

The most dominant factor influencing transformational leadership is vision and mission of a leader that is adjusted to his organization because it has a regression coefficient value of 33.136 which is greater than other indicators. This means that the placement of the vision and mission of a leader must be in accordance with the goals of the organization so that there is harmony between the desires and responsibilities of a leader with the goals of the organization. The regression coefficient of the highest performance is the progress achieved by the branch office which is always reported to the head office because reporting to the head office can be used to control the existing branches. The lowest factor in influencing transformational leadership is that the branch office leader always advises employees on how to accomplish work more efficiently with a regression coefficient with a regression coefficient of 19.498. This means that leaders must give more advice to employees about the completion of a job to be more efficient so that they can give suggestions to employees to further improve their performance.

Transformational leadership style if done well it will create comfort in work so that the work becomes more quality. But if the transformational leadership style is not suitable to be applied in certain conditions such as the military, then it must be observed carefully. Transformational leadership style must have a special space in shaping the goals to be achieved in other periods.

H2: Influence of Compensation on Employee Performance at Bank Nagari Padang Main Branch

That compensation did not significantly influence employee performance at Bank Nagari Main Branch Padang. This shows that compensation is not going well. Then Bank Nagari Main Branch Padang must oversee the

provision of compensation to employees to be able to improve their performance.

At the Nagari Bank company which is a state-owned company, to provide compensation is regulated based on applicable laws and regulations. The compensation mechanism is regulated based on the meeting of the regional head together with the Regional Representative Council so that to change a compensation requires a long system. The existence of this system has made employees behave that the amount of compensation has been determined based on the type of work so that the high or not compensation will not have an impact on the performance of their employees.

Compensation is a form of effort made by the company in respecting the performance of its employees, but the provision of compensation is regulated based on applicable regulations. So the size of the compensation provided does not have a big effect in improving employee performance. This is same with previous research conducted by Rizal (2014) which concluded that compensation did not have a significant effect on employee performance.

According Sedarmayanti (2017: 173) defines compensation is everything that is received by employees as compensation for their contribution to the company or organization. Compensation is a form of appreciation and acceptance received by employees from the company such as salaries, wages, incentives. Companies must be able to provide appropriate compensation for their employees because compensation can encourage or create employee motivation to work so that it will produce higher employee performance.

Compensation is given in the form of salaries, bonuses, and benefits that are expected to increase the company's maximum service. Compensation for employees is an income from their work. the more stable the compensation will not have an impact on the company.

H3: The Effect of Work Motivation on Employee Performance at Bank Nagari Main Branch Padang

Work motivation has a significant impact on company performance. This support explains that with the existence of qualified work motivation, employees will compete in increasing their abilities. Will indirectly trigger an increase in the quality of the work produced. the quality of work produced can form stigmas and stimuli in the mindset to improve performance. Encouragement is what can improve company performance when faced with conditions that require highly motivated employees.

Work motivation does not arise instantly but through a long process and pressure from various lines. Usually the motivation to work in government agencies runs very strong because to support one's career must be clashed on good performance. Improving one's career is difficult to do quickly because it is regulated by regulations and must go through approval from the leadership and the government. The existence of rotations that are carried out in an uncertain and very short time has led to high saturation for employees so that it has strengthened motivation in work.

Employees must always adjust themselves at all times with work so as to encourage a high sense of adjustment. This resulted in a very strong work motivation. The results of this study are in line with previous studies conducted by Virginiah Gachengo (2017), Sara Ghaffari (2017), and Ijah (2013) who concluded that working the motivation has a significant effect on employee performance.

Individual input factors and work context influence each other, including in the process of motivation, arousing, directing, and reducing. Workers will be more motivated if they believe that their performance will be recognized and valued. Motivated behavior is directly influenced by the abilities and knowledge or work skills of

individual motivations and combinations that make it possible to limit work context factors.

H4: The Effect of Transformational Leadership on Employee Performance Through Work Motivation at Bank Nagari Main Branch Padang

That transformational leadership has not significant effect on employee performance through work motivation. Transformational leadership is a form of leadership style that should be able to provide motivation to others to do what he wants as long as in accordance with company rules and objectives.

According to Hasibuan (2018:165) explains that expectancy theory explains one opportunity that can be given to occur due to behavioral factors. Values are the result of certain behaviors that have dignity and certainly with motivating power for each particular individual. Linkage (instrumentality) is the perception of the individual that the results of the first level will be related to the results of the second level. Ability or ability is the potential of someone to carry out a job that allows to be used or used properly. This statement explains that motivation will emerge along with transformational leadership behavior.

The highest indicator in influencing performance through work motivation is the awarding of bonuses made by Bank Nagari Padang Main Branch to only high-performing employees. While the weakest indicator in influencing performance through work motivation is that all employees at Bank Nagari Main Branch Padang are equipped with life insurance.

H5: Effect of Compensation on Employee Performance Through Work Motivation at Bank Nagari Padang Main Branch

Compensation does not affect company performance when dealing with or related to work motivation. Excessive compensation will only form arrogance for employees so that

motivation becomes unstable. As a result, many employees do not have high performance when they have excessive compensation. Company attention must be able to balance compensation and performance produced by its employees. Excessive compensation gives a bad impact for the company because it is included in the burden and will reduce the desired level of profit.

If someone works well then the performance obtained will also be good the next day. So that performance will be reflected through how a person's process of carrying out their work. This is not same with previous research by Abdul Rashid (2016) and Muhamad Rizal (2014) which concluded that compensation has a significant effect on employee performance through work motivation. Compensation is a form of appreciation to employees in the form of financial survival.

According to Hasibuan (2018:165) explains that the theory of reinforcement (reinforcement theory). The theory of inauguration is based on cause and effect of behavior by giving compensation. For example, bonuses for certain groups at certain levels of production are given with certain conditions.

The most dominant factor in influencing employee performance through work motivation is Bank Nagari Main Branch Padang giving bonuses to employees who excel. The least factor in influencing employee performance through work motivation is that all employees at Bank Nagari Main Branch Padang are equipped with life insurance. The company must be able to control the financial resources to improve employee performance through work performance.

4. CONCLUSION AND SUGGESTIONS

4.1. Conclusion

The transformational leadership variable has a positive and important impact on employee

performance at Bank Nagari Main Branch Padang. The better transformational leadership, the better the employee's performance. The compensation variable has no major impact on employee performance at Bank Nagari Padang Main Branch. Compensation has not been able to affect employee performance so it must be monitored and a review of the compensation system must be conducted. The motivation variable for work has a significant and positive employee effect at Bank Nagari Main Branch Padang. Work motivation is able to encourage someone to have good performance so it needs to be monitored. The transformational leadership variable has no significant effect on employee performance through work motivation at Bank Nagari Main Branch Padang. Transformational leadership can't encourage employees to cause motivation to work and will produce good performance. The compensation variable has no significant effect on employee performance through work motivation at Bank Nagari Main Branch Padang. Compensation is not able to encourage work motivation so that it can create good performance.

4.2. Suggestion

Companies should pay attention to transformational leadership style because it has the highest impact in improving employee performance. Companies must improve and supervise compensation because it affects the performance of their employees. Companies must pay attention to work motivation because it affects the performance of their employees.

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