The Influences Of Transformational Leadership And Compensation To Employee Performance On Their Motivation And The Implementation At X Institution

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Abstract- The purposes of this study is to examine and analyze the influences of transformational leadership and compensation to employee performance on their motivation and the implementation at X institution. The primary research data is surveys, and secondary data are performance values and interview results. Saturated sampling as a sampling method in this study, the subjects were taken from all employees at X Institution consits of 93 people. The analytical method in this study is using the SmartPLS software there is variant based structural analysis (SEM) that can simultaneously test to measurement model and target the structural model.

Index Terms- Transformational Leadership, Compensation, Motivation, Employee Performance, X Department at X Institution.

I. INTRODUCTION

According to Rivai (2009) employee performance assessment refers to a formal and structured system that is used to measure, assess and influence traits related to work, behavior and results. Thus, performance appraisal is used by companies to find out and analyze the activities produced by employees in accordance with the company's objectives that have been previously set.

One of the factors that influence employee performance is motivation. According to Sutrisno (2011), motivation is a driving factor or driving force for employees in a company, because with motivation, employees will have high enthusiasm in carrying out their duties and responsibilities, so that it can be increasing the work productivity of these employees and will affect the achievement of company goals.

In the relation of work motivation, the role of the leader will be able to related caused of the leader will be able to give a stimulus for employees to give motivation to work. The leaders directed their employees by providing motivation will create employees conditions to feel inspired to hard work conditions. Employees who have high motivation are one of the requirements if high work results are to be achieved consistently. (Robbins, 2006).

In the related of that, one of leadership style that emphasizes the importance of a leader to create a vision and environment that give employee motivation to achieve beyond their expectations is transformational leadership (Burns in Dewi, 2012).

Besides the transformational leadership, one of the other factors that can affect work motivation is giving compensation to employees. According to Mondy (2008) compensation is the total of all the rewards accepted by employees as substitutes for services that have been given to companies whose general purpose is to attract, keep and motivate employees.

Agreeing with Mondy, according to Dessler (2009) compensation is all forms of payment or gifts that given to employees and has 2 (two) components, there are: direct payments (wages, salaries, incentives, commissions and bonuses) and indirect payments (insurance and holidays paid by the company.

One of the organizations / state institutions that are required to have optimal performance is X Agency. However, it is known that the performance value of X Institution has decreased between 2016 and 2017. In 2016, the performance value of X Department is 106.59%, while the value of performance in 2017 is 104.6%. This indicates a decrease in performance value of 1.99%.

Furthermore, based on the results of interviews with officials, at X Institution known has staffing problems faced, such as: the lack of guidance provided by the leadership to some employees and significant differences of individual performance incentives. Besides that, the employee absentee level in the last 3 months in 2017, there was a decrease of 28%. This indicates there is a decrease in work motivation of X Agency employees.

Based on the information that has been submitted above, the researcher needs to conduct research with the theme "the influences of transformational leadership and compensation to employee performance on their motivation and the implementation at X institution"

Furthermore, the purpose of this study are: (1) To find out and explain the effect of transformational leadership for motivation; (2) To find out and explain the effect of compensation for motivation; (3) To find out and explain the effect of transformational leadership and compensation for

motivation; (4) To find out and explain the effect of transformational leadership for performance; (5) To find out and explain the effect of compensation for performance; (6) To find out and explain the effect of motivation for performance; and (7) To find out and explain the effect of transformational leadership, compensation and motivation for performance.

II. LITERATURE REVIEW

Transformational Leadership

Newstrom and Bass in Sadeghi and Pihie (2012) suggest that transformational leaders have certain components of behavior, including integrity and justice, setting clear the goals, having high expectations, providing support and recognition, arousing subordinates emotion, and making subordinates to see a thing that goes beyond its own interests to achieve something that is impossible.

In connection with that, according to Bass & Riggio (2006: 6-7) there are 4 (four) dimensions in transformational leadership, there are inspirational motivation, emphasizing how to motivate and inspire subordinates to job challenges, ideal influence, emphasizing the type of leader showing trust, confidence and admired by subordinates, intellectual stimulation, emphasizing the type of leader who seeks to encourage subordinates to think of innovation, creativity, new methods, and individualized consideration, emphasizing the type of leader who gives attention to the development and needs of subordinates achievement.

Compensation

Hariandja (2005: 54) argues that compensation is the overall remuneration received from carrying out work in the organization in the form of money or other, such as salaries, wages, bonuses, incentives and other benefits, such as health allowances, holiday allowances, meals allowances, leave money, etc.

According to Dessler (2015: 417), there are 2 (two) dimensions in compensation, there are direct financial compensation and indirect financial compensation. Forms of compensation such as salaries, wages and incentives are included in direct financial compensation, considering that paid by the company as a consequence of this position as an employee who contributes energy and mind in achieving company goals.

Motivation

Kadarisman (2012: 278) argues that motivation is a driving force in a person to want behave and work diligently and well based on their duties and obligations that have been given to their.

The dimension of motivation according to Herzberg (in Robbins, 2007) consist of 2 factors, there are motivational factors and hygiene factors (maintenance). Motivational factors are drives for achievement in intrinsic characters, it's means sourced from within person, while hygiene factors is factors that are extrinsic it's means that they originate from outside of someone.

Employee Performance

Wirawan (2009: 5) argues that performance is output that is produced by functions or indicators of a job or a profession in a certain time. Based on the definition that has been informed, it can be concluded that performance is the work of employees both quality and quantity achieved by employees in a certain period in accordance with the given responsibilities.

Miner (2005) suggest that to measure the performance can use some dimensions, such as quality, quantity and time. Quality dimensions such as the level of error and accuracy, while the quantity, such as product and costs. For time. The dimensions measured are the level of attendance, the level of delay and working time effective.

Framework

Based on previous research found that transformational leadership has a positive and significant effect for motivation (Tucunan, Supartha and Riana (2014)), compensation has a positive and significant effect for motivation (Ulfa, Rahardjo and Ruhana (2015)), transformational leadership and compensation positive and significant effect for motivation.

Furthermore, transformational leadership has a positive and significant effect for perdormance (Dola, 2015), compensation has a positive and significant effect for performance (Larbi, 2014), motivation has a positive and significant effect for performance (Omollo and Oloko (2015)), and transformational leadership, compensation and motivation have a positive and significant effect for performance.

Based on the explanation of the relationship between the variables described above, it can be used a frame of mind in the form of a chart that will be presented in the figure as follow
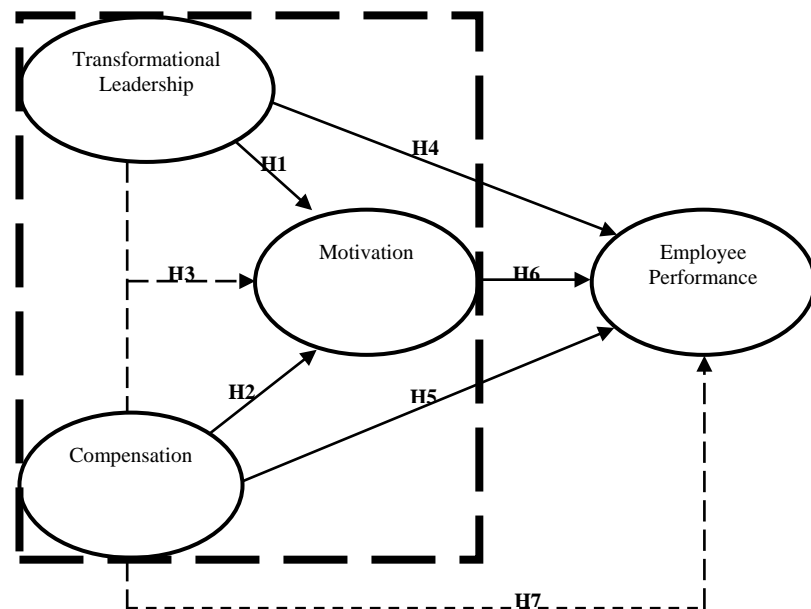
Picture 1. Research Framework

Hypothesis

H1: Transformational leadership influences motivation
H2: Compensation influences motivation
H3: Transformational leadership and compensation influences motivation
H4: Transformational leadership influences employee performance
H5: Compensation influences employee performance
H6: Motivation influences employee performance
H7: Transformational leadership, compensation and motivation influence employee performance

III.   RESEARCH METHODS

This study uses quantitative research methods and used questionnaires data through a Likert Scale approach (Sugiyono, 2012: 13; Arikunto, 2013: 27).

Furthermore, the operational definition of each variable in this study based on the indicators. In this study uses two variables there are independent variables and dependent variables. Accrding to Sugiyono (2013: 64), independent variables are variables that influence or become caused the change or the emergence of the dependent variables (bound), while the dependent variable is a variable that is influenced or which becomes a result, caused of the existence of independent variable.

In this regards, the independent / independent variables identified in this study are transformational leadership and compensation, while the dependent variable is work motivation and employee performance.

Population and Samples

The population in this study was determined and limited at X Institute employees about 93 people who are permanent employees. For the sample in this study using saturated sampling techniques, so the number of samples in this study were 93 people.

Data Analysis Method

This study uses data analysis techniques using SmartPLS software version 3.2.7, while the correlation matrix between dimensions uses SPSS software version 24.

## IV.   FINDING AND DISCUSSION

Research Results and Discussion

The test study used in the study are the test indicator (outer model) and hypothesis testing (inner model).
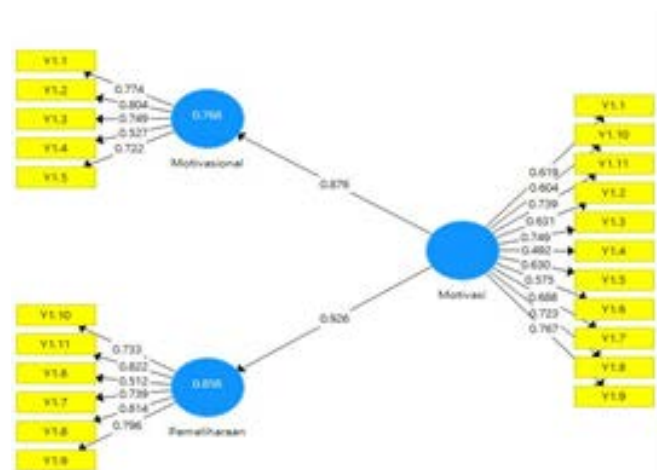
Test Indicator (Outer Model)

Test indicators are to determine the validity and reliability of indicators that measure latent variables. Test indicators in this study is test convergent validity, there is a set of indicators representing a latent variable and the underlying latent variable. Convergent validity test can be seen from the outer loading of each variable indicator. An indicator can be a good reliability if the outer loading value is above 0.70 (Sarwono, 2014). However, the value of outer loading can be tolerated up to 0.50, while the lower value of 0.50 can be excluded from the analysis (Ghozali, 2014).
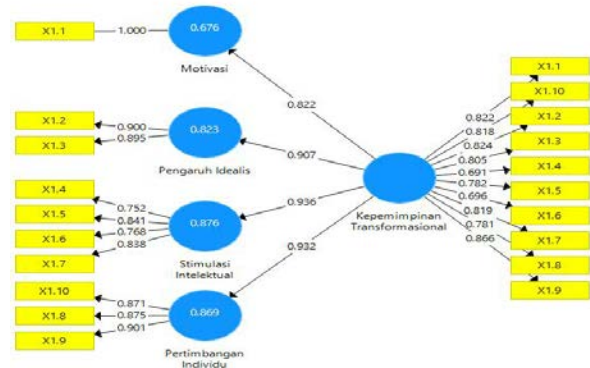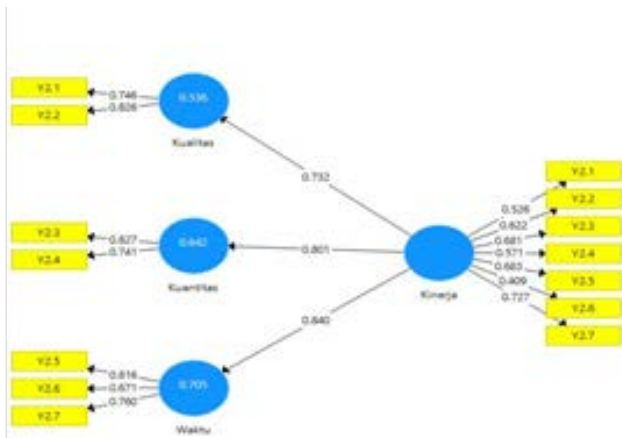

Picture 2. Outer Model Transformational Leader
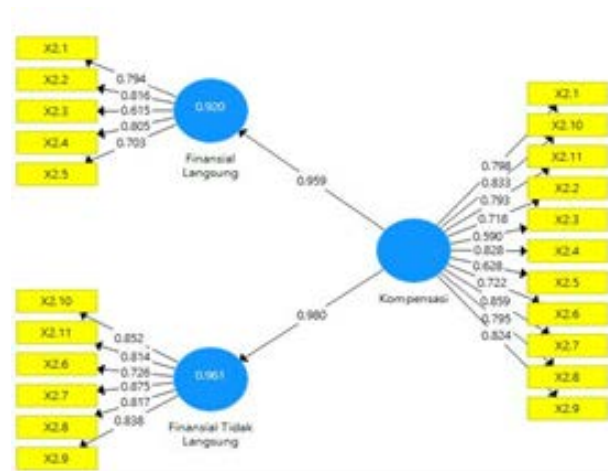
Picture 3. Outer Model Compensation

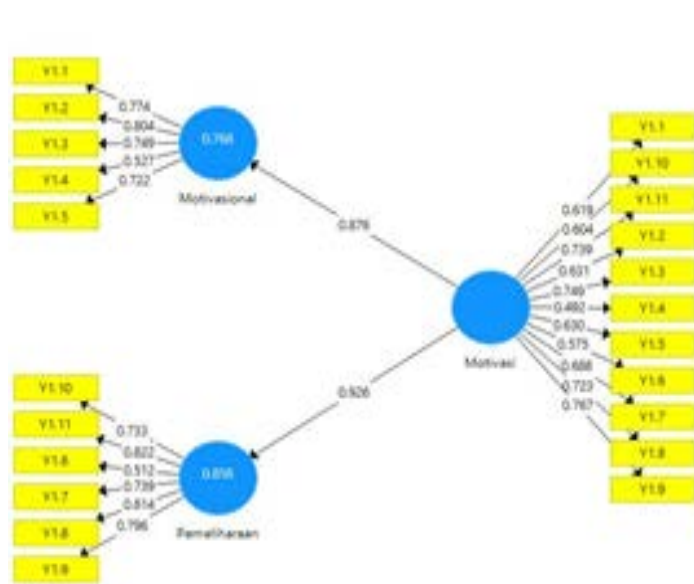**Picture 4. Motivation Outer Model**

Picture 5. Employee Performance Outer Model

Based on the results of data processing with version 3.0 of SmartPLS above, it indicates that the indicators of all variables have a value of loading factor> 0.50. This shows that all indicators are valid.

Hypothesis Test (Inner Model)

After the outer model is done, the next stage is the evaluation of the structural model (inner model) or hypothesis testing. The inner model is a structural model that describes the relationship between latent variables based on substantive theory. The design of the structural model of relations between latent variables is based on the research hypothesis.

To test the hypoyhesis doing through evaluate the path coefficient. Based on the results of calculations using calculate SmartPLS version 3.0. bootstrapping, the path coefficient is obtained which describes the strength of the relationship between constructs / variables as referred in 6 and 7 picture below:

Picture 4. Motivation Outer Model
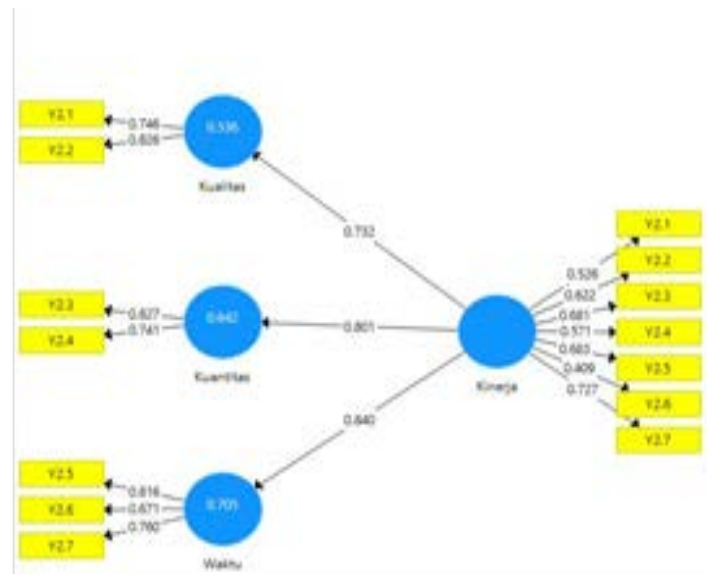
Picture 5. Employee Performance Outer Model

Based on Figure 6. the structural equations in this study are as follows:

MOTIVATION (Y1) = 0,287 Λ1 + 0,483 Λ2
PERFORMANCE (Y2) = 0,417 Λ3 + 0,141 Λ3 + 0,008 в

The magnitude of the parameter coefficient for the Transformational Leadership variable (X1) on the Motivation variable (Y1) is 0.287 it's means there is a positive influence between transformational leadership and motivation variables. The t-value of statistics is 2.851 from t-table of 1.66, it's means significant.

The magnitude of the parameter coefficient of Transformational Leadership (X1) on the Performance variable (Y2) is 0.417 and the statistical t value of 4.529 is greater than t-table of 1.66. In this regard, there is a positive and significant influence between transformational leadership variables for performance variables.

The magnitude of the Compensation parameter coefficient (X2) for the Motivation variable (Y1) is 0.483 and the statistical t value of 4.892 is greater than the t-table of 1.66. So that there is a positive and significant influence between the compensation variables for the motivation variable.

The amount of the Compensation parameter coefficient (X2) for the Performance variable (Y2) is 0.141 and the statistical t value of 1.054 is lower than the t-table of 1.66. For this reason, there is no significant influence between compensation variables for performance variables.

The magnitude of the Motivation parameter coefficient (Y1) for the Performance variable (Y2) is 0.008 and the statistical t value is 0.064 lower than the t-table of 1.66. Therefore, there is no significant influence between motivation variables and performance variables.

The magnitude of the parameter coefficient for the Transformational Leadership variable (X1) through the Motivation variable (Y1) for Performance (Y2) of 0.002 <direct

effect is 0.417, so that Y1 does not mediate influences for X1 on Y2.

The magnitude of the parameter coefficient for the Compensation variable (X2) through the Motivation variable (Y1) for Performance (Y2) is 0.004 <direct effect of 0.141, so Y1 does not mediate influences for X2 to Y2.

Interdimensional Correlation Matrix

Interdimensional correlation analysis purposes to measure the level of relationship between dimensions in variable X with variables Y dimensions, and between dimensions variables Y. In this study, transformational leadership variables consist of 4 dimensions, compensation variables consist of 2 dimensions, motivation variables consist of 2 dimensions, and variable employee performance consists of 3 dimensions.

Table 2. Results of the Correlation Matrix Between Independent Variable Dimensions and Dependent Variables

Variable	Dimension	Y1		Y2		
		Y1.1	Y1.2	Y2.1	Y2.2	Y2.3
X1	X1.1	0,383	0,423	0,387	0,298	0,287
	X1.2	0,522	0,392	0,450	0,277	0,219
	X1.3	0,463	0,309	0,467	0,293	0,198
	X1.4	0,466	0,292	0,495	0,318	0,245
X2	X2.1	0,399	0,585	0,222	0,215	0,244
	X2.2	0,470	0,651	0,295	0,273	0,248

Source: SPSS based on primary data reprocessed by researchers (2018).

Table 3. Results of the Correlation Matrix Between Dimensions of Dependent Variables and Dependent Variables

Variable	Dimention	Y2		
		Y2.1	Y2.2	Y2.3
Motivation	Y1.1	0,352	0,168	0,159
	Y1.2	0,307	0,136	0,053

Source: SPSS based on primary data reprocessed by researchers (2018).

On the transformational leadership variable to the motivation variable, the highest dimension correlation is the idealistic influence on the motivation about 0.522 while the lowest dimension correlation in this variable is the individual's consideration of the maintenance dimension, there is equal to 0.292.

On transformational leadership variables on employee performance variables, the highest dimension correlation is individual consideration of the quality dimension about 0.495, while the lowest dimension correlation is intellectual stimulation of the time dimension, which is equal to 0.198.

In the compensation variable for the motivation variable, the highest dimension correlation is indirect financial towards the maintenance dimension about 0.651, while the lowest dimension correlation is direct financial to the motivational dimension, which is equal to 0.399.

In the compensation variable for employee performance variables, the highest dimension correlation is indirect financial towards the quality dimension about 0.295, while the lowest

dimension correlation is direct financial to the quantity dimension, which is equal to 0.215.

In the motivation variable on employee performance variables, the highest dimension correlation is motivational to the quality dimension about 0.352, while the lowest dimension correlation is maintenance of the time dimension, which is 0.053.

Discussion

The influences of transformational leadership for motivation (Hypothesis 1). Based on the results of the study, transformational leadership has a positive effect on work motivation. The results of this study support previous research conducted by Ariyani (2009) with the title "The Influence of Transformational Leadership on Motivation of Lecturer Work at Universities in the City of Madiun". The conclusion of the study proves that transformational leadership has a significant positive effect on lecturers' work motivation, because transformational leadership is a determining factor that influences employee attitudes, perceptions and behaviors with increased trust in leaders, motivation, job satisfaction and being able to reduce a number of conflicts that often occur within an organization.

The influences of compensation for motivation (Hypothesis 2). Based on the results of the study, compensation has a positive influences for work motivation. This is consistent with the results of previous studies conducted by Ulfa, Rahardjo and Ruhana (2015) with the title "The Influences of Compensation for Work Motivation and Employee Auto 2000 Performance: Case Study of Malang Sutoyo Employees) ". The conclusion of the study shows that compensation has a positive influence on work motivation, it is proven that the compensation provided by it can motivate employees to work harder and improve the quality of their work.

The influences of transformational leadership and compensation for motivation (Hypothesis 3). Based on the results of the study, it is known that transformational leadership and compensation simultaneously have a positive influences for motivation. The results of this study support previous research conducted by Priyanto (2016) with the title "Effect of Transformational Leadership Style and Compensation for Employee Performance with Motivation as Intervening Variables ". The conclusions from the study indicate that transformational leadership and compensation have a positive influences for motivation, because transformational leadership and compensation applied can motivate employees.

The influence of transformational leadership on employee performance (Hypothesis 4). Based on the results of the study, shows that transformational leadership has a positive influences for employee performance. The results of this study support previous research conducted by Tucunan, Supartha and Riana (2014) with the title "The Effect of Transformational Leadership on Motivation and Employee Performance (Case Study at PT. Pandawa) ". The results of this study indicate that transformational leadership has a positive influences for employee work, this is evidenced that the stronger transformational leadership will be able to be better the employee's performance.

The influences of compensation for employee performance (Hypothesis 5). Based on the results of the study, shows that compensation does not have a significant influences

for employee performance. The results of this study support previous research conducted by Arhama (2012) with the title "Effects of Compensation, Motivation and Work Discipline for Employee Performance In Baitul Maal Watamwil Tulungagung ". The results of this study indicate that compensation does not have a significant effect for employee performance, the compensation given is seen from the family among employees, so that all of the compensation given based on the results of employee working.

The influences of motivation for employee performance (Hypothesis 6). The results of the research is motivation does not have a significant influences for employee performance. The results of this study reject previous research conducted by Aima, Adam and Ali (2017) with the title "Model of Employee Performance: Competence Analysis and Motivation (Case Study at PT Bank Bukopin, Tbk Center). The results of the study indicate that motivation has a positive and significant influences for the employee performance at PT. Bank Bukopin. However, the results of this study support previous research conducted by Dwihartono (2012) with the title "Analysis of the Effect of Compensation, Motivation and Job Satisfaction for Civil Servants' Performance in the Semarang City Culture and Tourism Service". The results of this study indicate that motivation has no influence for employee performance significantly, because motivation may not influences performance and the motivation given is very far from the expectations for fulfilling the individual needs, so caused decrease employee enthusiasm.

The influences of transformational leadership, compensation and motivation for employee performance (Hypothesis 7). Based on the results of the study, it is known that transformational leadership, compensation and motivation simultaneously have positive and significant influences for employee performance. The results of this study support previous research conducted by Priyanto (2016) with the title "The Influence of Transformational Leadership Style and Compensation on Employee Performance with Motivation as Intervening Variables". The conclusions from the study indicate that transformational leadership and compensation influence and significantly affect employee performance through motivation. Furthermore, the results of the study indicate that the leader has the ability to motivate and supervise their subordinates to achieve better work standards as an effort to anticipate work failures.

V.   CONCLUSION AND SUGGESTION

Conclusion

Based on the results of research and discussion, it can be concluded that transformational leadership has a positive and significant effect for motivation. Compensation has positive and significant influences for motivation. Transformational leadership and compensation simultaneously have positive and significant influences for motivation. Transformational leadership has positive and significant influences for employee performance Compensation does not have significant influences for employee performance variables. Motivation does not have significant influences for employee performance variables. Transformational leadership, compensation and motivation simultaneously have positive and significant influences for employee performance

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Suggestion

Transformational leadership is the most powerful variable to influence employee performance variables. Leaders in the X Institutions need to spend more time to pay attention for subordinates need, help solve work problems, listen to complaints, and teach in a good way.

Compensation influences on motivation. For this reason, management of X Institutions needs to pay attention to employee rights in terms of indirect financial compensation, such as health allowances, holiday allowances and other allowances. If indirect financial compensation is considered, it is hoped that this will lead to high motivation for the employees.

In work motivation, the highest dimension correlations is motivational to the quality dimension. For this reason, the leaders need to improve the fulfillment the employees needs, both from the needs of affiliation and appreciation. If these needs are met, they tend to be motivated to do good work. Therefore, by fulfilling the needs of employees, it is expected that employees will have higher motivation, so that their performance will be expected to increase.

Besides that, the expectations of the authors the further research can examine deeper related transformational leadership variables and compensation influences employee motivation and performance.

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