The Effect of Leadership Compensation and Work Discipline on Employee Performance (Study at PT Panca Putra Solusindo Jakarta)

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Abstract

This study aims to determine the effect of compensation, leadership and work discipline on employee performance at PT Panca Putra Solusindo. This type of research uses causal quantitative methods to determine the effect of variable x on variable y. The population in this study were employees of PT Panca Putra Solusindo, namely as many as 50 employees. The sample for this research was 50 employees using the saturated sample method, where all employees were sampled. The data analysis technique in this study used Partial Least Square (PLS) SEM. The first stage was to create a research instrument for distributing questionnaires and processing data. The second stage examines the effect of each variable of compensation, leadership and work discipline on employee performance and the third stage results of the research. The results of the study partially show that Leadership and Work Discipline have an effect on Employee Performance, while Compensation has no effect on Employee Performance at PT Panca Putra Solusindo

Keywords: Compensation, Leadership, Work Discipline, Employee Performance

Introduction

The emergence of the COVID-19 pandemic that has hit almost all over the world has resulted in the existence of human resources in an organization being affected. Effective and efficient utilization of human resources can affect the survival and growth of organizations during this COVID-19 pandemic or in the future. This condition must be addressed positively in line with the industrial era 4.0 where everything is digital in everything. The organization is constantly making changes to stay afloat. The excellence of the company will be determined by the performance of employees, good performance will of course get good results as well. The development of a company's business does not escape the important role of human resources.Although supported by excessive facilities and infrastructure and sources of funds, but without reliable human resources, the company's activities will not be completed properly. This shows that human resources have a major role in every company's activities according to (Ciptoningrum, 2013).

PT Panca Putra Solusindo is a leading partner for server, storage, virtualization and IT security solutions based in North Jakarta, Indonesia. The company was founded in 1995 in Harco Mangga Dua with an initial focus on selling IT products, including enterprise hardware, native software, and computer peripherals. PT has built a client base through a history of trusted services and fostering resellers as business partners. PT Panca Putra Solusindo is one of HPE's elite Gold Partner handful in Indonesia and one of the few HPE resellers who design and deploy

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solutions from across HPE's technology areas, meaning we can provide end-to-end HPE solutions for everything.

Problems experienced by PT. Panca Putra Solusindo, among others, is the non-achievement of performance where in 2020/2021 the company's sales decreased and were not in accordance with the set targets, as for several causes of performance problems, including in the provision of compensation not as expected, especially in the provision of incentives that are usually given by companies by issuing new policies, there is an impression that they will be eliminated, In addition, there is employee dissatisfaction at work in terms of providing benefits, not all that employees are entitled to can be fulfilled.

Another cause experienced by the company is the declining level of employee discipline. This can be seen from the attendance table of employees who always experience delays, some employees are caught sleeping during working hours, there are some employees who do not give news when they do not come to work.

The results of empirical studies conducted by researchers related to previous research on performance by, Tahir M. (2021) and Husnina & Tarigan (2020), Perkasa et al. (2019), states that compensation has a significant effect on employee performance, but research Vonny et al. (2021) and Evi et al. (2020), showing different results where compensation has no effect on employee performance, Cahyo (2015), Idris & Sari (2019), Parashakti & Muhamad (2020) which states that work discipline has a positive and significant effect on employee performance. Research by Aris et al. (2020) which states that leadership has a positive and significant effect on employee performance.

Method
Research Design
This study explains the causal relationship between independent variables and dependent variables. Where compensation, leadership and work discipline as independent variables affect employee performance as dependent variables. In this study aims to determine the effect of compensation, leadership and work discipline on employee performance.

Population and Research Sample
Population is a generalized area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to study and then draw conclusions (Sugiyono, 2020). The population in this study is 50 employees of PT Panca Putra Solusindo. The sample in this study used saturated sampling where all members of the population were sampled.According to (Sugiyono, 2016) "saturated sampling is a sampling technique when all members of the population are used as samples.

Data Analysis Methods
Evaluation of Measurement (Outer) Normality Test Model
Chin in (Ghozali et al., 2015)) states that evaluation of the measurement model or outer model is carried out to assess the validity and reliability of the model. The outer model with reflexive indicators is evaluated through convergent validity and discriminant validity of latent construct-forming indicators and composite reliability and cronbach alpha for the indicator block.

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Results and Discussion
Characteristics of Respondents

In this study, data collection was carried out through the distribution of questionnaires to 50 employees of PT Panca Putra Solusindo, Jakarta. Characteristics of Respondents Based on Gender as many as 30 men and 20 women, this means that the type of work is dominated by male employees. The age range of 26 to 35 years is 37 people, the age of 36 to 45 years is 5 people, the rest are over 46 years old as many as 5 people, this means that the company is dominated by employees of productive age.

### Results Data Partial Least Square Analysis (PLS)
Evaluasi Measurement Model (Outer Model)

According to (Ghozali et al., 2015)) the purpose of the outer model evaluation is to assess validity through convergent validity and discriminant validity, as well as the reliability of the model evaluated composite reliability and cronbach's alpha for its indicator blocks.

Convergent Validity

The convergent validity of the meansurement model with reflection indicators can be seen from the correlation between itern scores or construct indicators. An individual indicator is considered valid if it has a correlation value above 0.70. The expected value > 0.70. According to Chin as quoted by (Ghozali et al., 2015), an outer loading value between 0.5-0.6 is considered sufficient to meet the convergent validity requirements. In this study there is an invalid indicator, namely indicator X3.1 on variable X1 (Work Discipline) with a loading factor value of 0.305 smaller than 0.5. As well as on the Y4 indicator (Employee Performance) with a loading factor value of 0.316. Based on the above results, the invalid indicator will be excluded from the model. Here are the results of the smartPLS 3.0 algorithm after the indicator is removed from the model.

Figure 2.SmartPLS algorithm result (modified)
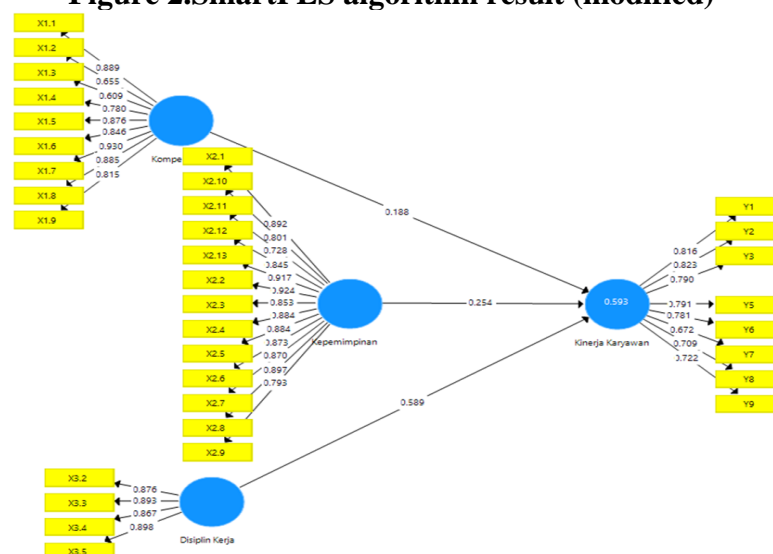
Source : Primary Data processed 2023

From figure 2 above, it can be seen that there is an invalid indicator, namely indicator X3.1 on variable X1 (Work Discipline) with a loading factor value of 0.305 smaller than 0.5. As well as on the Y4 indicator (Employee Performance) with a loading factor value of 0.316. Based on the above results, the invalid indicator will be excluded from the model. The following are the results of the smartPLS 3.0 algorithm after the indicator is removed from the model from table 3 and figure 3, it can be seen that the value of each indicator or outer loading is > 0.5, it can be concluded that all indicators can be said to be valid because they meet the requirements of convergent validity so that further analysis can be continued.

Discriminant Validity

This value is a cross-loading value factor that is useful to find out whether the construct has adequate discrimination, namely by comparing the loading value on the intended construct must be greater than the loading value with other constructs (Ghozali et al., 2015)

Table 1. Discrimintant Validity Test Results(Cross Loading)

Variabel	X1	X2	X3	Y
X1.1	0,889	-0,060	0,174	0,289
X1.2	0,655	-0,069	0,374	0,441
X1.3	0,609	-0,177	0,286	0,344
X1.4	0,780	0,102	0,315	0,288
X1.5	0,876	0,020	0,339	0,305
X1.6	0,846	0,044	0,302	0,279
X1.7	0,930	0,043	0,265	0,340
X1.8	0,885	0,068	0,275	0,293
X1.9	0,815	0,103	0,257	0,236
X2.1	0,133	0,892	0,228	0,416
X2.2	0,047	0,801	0,174	0,249
X2.3	-0,019	0,728	0,121	0,237
X2.4	-0,028	0,845	0,180	0,236
X2.5	-0,102	0,917	0,194	0,294
X2.6	0,100	0,924	0,206	0,385
X2.7	0,031	0,853	0,146	0,350
X2.8	0,019	0,884	0,261	0,394
X2.9	-0,069	0,884	0,259	0,331
X2.10	0,018	0,873	0,206	0,398
X2.11	-0,067	0,870	0,131	0,315
X2.12	-0,104	0,897	0,209	0,321
X2.13	-0,121	0,793	-0,046	0,128
X3.1	0,229	0,212	0,876	0,603
X3.2	0,230	0,218	0,893	0,601

Variabel	X1	X2	X3	Y
X3.3	0,484	0,164	0,867	0,624
X3.4	0,341	0,183	0,898	0,687
Y1	0,443	0,442	0,487	0,816
Y2	0,421	0,434	0,460	0,823
Y3	0,359	0,362	0,460	0,790
Y5	0,261	0,297	0,469	0,791
Y6	0,141	0,145	0,641	0,781
Y7	0,332	0,171	0,427	0,672
Y8	0,194	0,186	0,731	0,709
Y9	0,315	0,278	0,621	0,722

Source : Primary Data processed 2023

Table 1 above, shows the existence of good discriminant validity. Therefore, the value of the indicator's correlation to its construct is higher than the value with other constructs. Furthermore, discriminant validity testing was carried out with Fornell Larcker Criterion Smart-PLS 3.0. If the measurement model has good discriminant validity, then the value of each variable must be greater than the correlation between variables. The following value results can be seen from the Fornell Larcker Criterion Smart-PLS 3.0 Output.

Table 2. Discriminant Validity Test Results(Forner Lacker Critetion)

	Work Discipline	Leadership	Employee Performance	Compensation
Work Discipline	0,884			
Leadership	0,219	0,860		
Employee Performance	0,713	0,382	0,765	
Compensation	0,366	-0,001	0,403	0,816

Source : Primary Data processed 2023

Table 2 above concludes that the value for each construct is greater than the correlation between one construct and the other in the model. Based on the above results, the construct in the estimated model meets the criteria of discriminant validity.

Average Variance Extrated (AVE)
In good test measurements, the AVE test has a value of each indicator of> 0.5, then the value can be said to be valid. The following is the result of the AVE value that has been processed by researchers.

Table 3. Average Variance Extrated Test Results

Variable	Average VarianceExtracted (AVE)
Work Discipline	0,781
Leadership	0,740
Employee Performance	0,585
Compensation	0,666

Source : Primary Data processed 2023

Based on Table 3, it can be seen that the AVE value of all variables has a value above > 0.5. Then it can be stated that each variable has a value in good discriminant validity.

Cronbach's Alpha dan Composite Reliability

The next test of convergent validity is construct reliability by looking at the output composite reliability or Cronbach's Alpha. The criterion said to be reliable is the value of composite reliability or Cronbach's Alpha more than 0.70 (Yamin and Heri Kurniawan in Ghozali, 2011).

Table 5. Cronbach's Alpha and Composite Reliability test results

	Composite Reliability	Cronbach's Alpha	Information
Work Discipline	0,934	0,906	Reliable
Leadership	0,974	0,971	Reliable
Employee Performance	0,918	0,898	Reliable
Compensation	0,946	0,935	Reliable

Source : Primary Data processed 2023

Based on Table 5 above, it can be seen that Composite Reliability and Cronbach's Alpha tests show the following results, namely: the results of all latent variables are reliable because all latent variable values have Composite Reliability and Cronbach's Alpha values greater than 0.70. So it can be concluded that Composite Reliability and Cronbach's Alpha tests of all variables have values above 0.70. Thus it can be concluded that all variables are reliable or meet the reliability test.

Evaluation of Inner Model and Outer Loading

Inner model is testing by evaluating between latent constructs that have been hypothesized in research. Bootstrapping is a statistical sampling procedure or technique. Resampling means that respondents are drawn randomly with replacements, from the original sample many times until observation is obtained (Diaconis and Efron in Hengki Latan (2012).

R-Square

Table 6. Test Results of R-Square (R2) Values

Variable	R Square
Employee Performance	0,593

Source : Primary Data processed 2023

According to Hair et al (2011) in (Ghozali et al., 2015) mentioned that in R-Square measurements there are three categories, namely strong (0.76-1.0), medium (0.26-0.75) and weak (0-0.25). The performance variable, has an R-Square value of 0.593. This result means that performance was influenced by compensation, leadership and work discipline by 59.3 percent, while the remaining 40.7 percent was influenced by other variables that were not included in this study.

F^2 Effect Size

The value of f-square (f2) indicates the partial influence of each predictor variable on the endogenous variable. The following is the result of the f2 value of each exogenous variable against the endogenous variable:

Table 7. F2 Effect Size Test Results

Variable	f2 Effect Size	Information
X1	0,074	Weak
X2	0,149	Medium
X3	0,697	Strong

Sumber : Data Primer diolah 2023

Based on Table 7, it can be seen if the value of f2 Effect Size variable X1 (Compensation) is 0.074, which means that the compensation variable has a weak partial influence on the Employee Performance variable. The value of the f2 Effect Size variable X2 (Leadership) is 0.149, which means that the leadership variable has a moderate partial influence on the Employee Performance variable. The value of f2 Effect Size variable X3 (Work Discipline) is 0.697, which means that the variable Work Discipline has a strong partial influence on the Employee Performance variable.

Q-Square

Goodness of Fit testing of structural models on inner models using predictive relevance (Q2) values. A Q-Square value greater than 0 (zero) indicates that the model has a predictive relevance value. The Q-Square value of each endogenous variable in this study can be seen in the following calculation:

Table 8. Q-Square Test Results

Variabel	Q² (=1-SSE/SSO)
Y	0,325

Source : Primary Data processed 2023

The calculation results above show a *predictive relevance* value of 0.325. This shows the magnitude of diversity of research data that can be explained by the research model is 32.5%. While the remaining 67.5% is explained by other factors that are outside this research model.
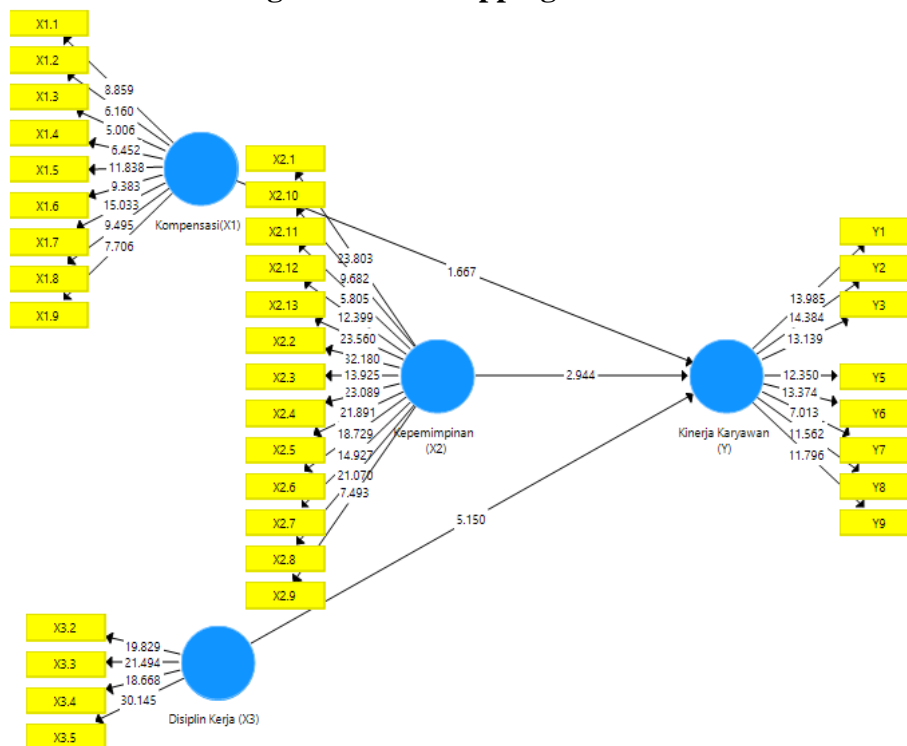
Research Hypothesis Testing

After testing the outer model and inner model, the next is hypothesis testing which is used to explain the direction of the relationship between the independent variable and the dependent variable.

Table 9 Hypothesis Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Work Discipline (X3) -> Employee Performance (Y)	0,589	0,558	0,114	5,150	**0,000**
Leadership (X2) -> Employee Performance (Y)	0,254	0,253	0,086	2,944	**0,003**
Compensation(X1) -> Employee Performance (Y)	0,188	0,230	0,113	1,667	**0,096**

Source : Primary Data processed 2023

Figure 3 Bootstrapping Test Results

Source : Primary Data processed 2023

Hypothesis testing is done by looking at the probability value and its t-statistic. hypothesis is accepted if the value of T statistic > T table (1.960) or P value < 0.05 (Ghozali et al., 2015).

Discussion
The Effect of Compensation on Employee Performance
The results of compensation for employee performance have a P-value of 0.096 and T-Statistics 1.667 or this value has a P-values of > 0.05 and T-Statistics < 1.96 so that it can be concluded that the first hypothesis (H1) is rejected meaning that the results of this study mean that compensation does not have a significant effect on employee performance. In this study, the size of compensation did not affect employee performance. The periodic increase in compensation does not affect employee performance because the most important thing here is that they can get a job. Compensation is not only in the form of salary, it can also be in the form of insurance provided by the company to employees. The results of this study are reinforced by previous research conducted by (Vonny et al., 2021), Samsul Huda, et al (2019), (Rianda &; Winarno, 2022), which stated that compensatory vairiaibel does not have a significant concern for employee performance.

The Influence of Leadership on Employee Performance
The results of leadership on employee performance have a P-value of 0.003 and T-Statistic 2.944 or this value has a P-values of < 0.05 and T-Statistics >1.96 so that it can be concluded that the second hypothesis (H2) is accepted meaning that the results of this study mean that leadership has a positive and significant effect on employee performance. Leaders who take the time to communicate with employees will greatly assist employees in conveying their aspirations.Employees will be more comfortable working with leaders who can actually lead the company to even be used as role models. When employees have found the ideal leader will decide to work at the company for a long time.
The results of this study are reinforced by previous research conducted by (Budiono, Nugroho &; Damara, 2020) where leadership has a significant effect on employee performance.

The Effect of Work Discipline on Employee Performance
The results of Work Discipline on Employee Performance have a P-Value of 0. 000 and T Statistics 5. 150 or this value has P- Values < 0. 05 and T-Statistics > 1.96 so that it can be concluded that the third hypothesis (H3) is accepted, meaning that the results of this study mean that work discipline has a positive and significant effect on the performance of PT Panca Putra Solusindo employees. Discipline is one of the factors that affect employee performance, enforcement of employee discipline is something important for an organization, because discipline will make the work done more effective and efficient. If discipline cannot be enforced, it is likely that the goals that have been set by an organization cannot be achieved. This indicates that if the level of employee discipline increases, employee performance will increase.
This can be seen and reinforced by previous research conducted by (Idris &; Sari, 2019), (Cahyo, 2015), ((Parashakti &; Muhamad, 2020)   which stated that discipline has a positive and significant effect on Employee Performance.

Conclusion

Based on the results of research and discussion in the previous chapter on the Effect of Leadership Compensation and Work Discipline on Employee Performance (Case Study at PT Panca Putra Solusindo), it can be concluded that compensation has no effect on PT Panca Putra Solusindo Employee Performance. This shows that the compensation provided by the company is very good and fair for each employee so that compensation has no effect on improving employee performance. Leadership affects the performance of PT Panca Putra Solusindo employees, showing that the relationship between leaders and subordinates has run effectively and well so that it affects performance improvement. Work Discipline has a positive effect on the Performance of PT Panca Putra Solusindo Employees. This shows that good enforcement of regulations and increased good employee discipline behavior will affect performance improvement.

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